



## **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2019**

(UNAUDITED)

JOE GQABI DISTRICT MUNICIPALITY

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## GENERAL INFORMATION

### NATURE OF BUSINESS

Joe Gqabi District Municipality is a district municipality performing the functions as set out in the Constitution. (Act No. 108 of 1996)

### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (No. 117 of 1998)

### JURISDICTION

**The Joe Gqabi District Municipality includes the following areas:**

Walter Sisulu Local Municipality (Burgersdorp, Venterstad, Steynsburg, Aliwal North and Jamestown)  
Senqu Local Municipality (Lady Grey, Sterkspruit, Rhodes, Rossouw, Herschel and Barkly East)  
Elundini Local Municipality (Maclear, Ugie and Mount Fletcher)

### MEMBERS OF THE MAYORAL COMMITTEE AS FROM 3RD AUGUST 2016 ELECTIONS

Executive Mayor	Z I Dumzela	
Speaker	T Z Notyeke	
Councillor	E M Lakabane	Portfolio head: Financial Services
Councillor	S Mei	Portfolio head: Technical Services
Councillor	L M Tokwe	Portfolio head: Corporate Services
Councillor	D D Mvumvu	Portfolio head: Community Services

### MUNICIPAL MANAGER

Mr Z A Williams

### CHIEF FINANCIAL OFFICER

Ms S du Toit

### OTHER DIRECTORS AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

Mr R J Fortuin	- Director: Technical Services
Ms F J Sephton	- Director: Community Services
Mr H Z Jantjie	- Director: Corporate Services
Mr M Nonjola	- Director: Institutional support and advancement
Ms N Mshumi	- Chief Operations Officer
Mr D Lusawana	- Manager Water Service provider

### REGISTERED OFFICE

P/Bag X102	C/o Cole and Graham Street
Barkly East	Barkly East
9786	9786

## AUDITORS

Office of the Auditor General (EC)  
Vincent  
East London

## ATTORNEYS

Clark Laing Inc  
East London  
5241

## PRINCIPAL BANKERS

ABSA  
P O Box 323  
Bloemfontein  
9300

## AUDIT COMMITTEE

J Emslie - Chairperson  
F K P Ntlemenza - Member  
P Ntisana - Member

### New Committee as from April 2019:

G Sparg - Chairperson  
L Smith - Member  
A Jordan - Member  
H Marsberg - Member

## RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Labour Relation Amendment Act (Act 6 of 2014)  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations  
Municipal Regulation on Standard Chart of Accounts (mSCOA)  
Disaster Management Act 57 of 2002  
Fire Brigade Services Act 99 of 1987  
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972  
National Veld and Forest Fire Act 101 of 1998  
National Water Act 36 of 1998  
National Health Act of 1997  
Occupational Health and Safety Act and Regulation 85 of 1993

## **MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL**

### **PROPORTIONAL ELECTED COUNCILLORS**

Executive Mayor	Z I Dumzela
Speaker	T Z Notyeke
Councillors: JGDM	EM Lakabane D Mvumvu S Mei L Tokwe NU Hlatuka N Ngendane AM van Zyl M Yiliwe

### **REPRESENTATIVE COUNCILLORS**

Senqu Local Municipality	AP Kwinana M Phuza NP Mposelwa VV Stokhwe XG Magcai NM Phama
Elundini Local Municipality	B Msuthwana M Telile M Marubela L Booka L Pili N Ntaopane
Walter Sisulu Local Municipality	B Khweyiya - replaced 24 January 2019 KS Lange - replaced 24 January 2019 DF Hartkopf V Davids - as from 24 January 2019 L Nkunzi - as from 24 January 2019

**JOE GQABI DISTRICT MUNICIPALITY**  
**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements period ended 30 June 2019, which are set out on pages 1 to 106 in terms of Section 126 (1) of the Municipal Finance Management Act (No. 56 of 2003) and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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*Mr Z A Williams*  
**Municipal Manager**

31-Aug-19

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**Date**

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

	Note	2019 R	2018 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>7 022 616</b>	<b>15 295 278</b>
Inventory	2	2 177 544	2 640 698
Cash and Cash Equivalents	3	4 845 072	12 654 580
<b>Current assets from exchange transactions</b>		<b>243 787 470</b>	<b>163 117 758</b>
Receivables from exchange transactions	4	243 787 470	154 075 734
South African Revenue Services	5	-	9 042 025
<b>Current assets from non-exchange transactions</b>		<b>8 872 659</b>	<b>14 395 662</b>
Unpaid conditional government grants and receipts	6	8 872 659	14 395 662
<b>Non-current assets</b>		<b>1 817 746 569</b>	<b>1 687 526 349</b>
Property, plant and equipment	7	1 811 189 390	1 681 063 170
Investment property	8	2 438 848	2 438 848
Intangible assets	9	452 822	452 822
Non-current investments	10	3 665 509	3 571 508
<b>Total assets</b>		<b>2 077 429 315</b>	<b>1 880 335 048</b>
<b>Current-liabilities</b>		<b>30 090 046</b>	<b>30 858 606</b>
Current employee benefits	12	30 090 046	30 858 606
Cash and Cash Equivalents	3	-	-
Current lease liability	4,2	-	-
<b>Current-liabilities from exchange transactions</b>		<b>103 061 498</b>	<b>111 292 740</b>
Consumer deposits	13	975 566	957 847
Payables from exchange transactions	14	85 491 491	108 750 019
South African Revenue Services	5	13 968 954	-
Current portion of long-term liabilities	15	2 625 487	1 584 875
<b>Current-liabilities from non-exchange transactions</b>		<b>7 760 118</b>	<b>2 776 738</b>
Unspent conditional government grants and receipts	6	7 760 118	2 776 738
<b>Non-current liabilities from Exchange Transactions</b>		<b>3 546 390</b>	<b>7 506 318</b>
Long-term Liabilities	15	3 546 390	7 506 318
<b>Non-current liabilities</b>		<b>34 276 280</b>	<b>34 276 280</b>
Employee benefits	11	34 276 280	34 276 280
<b>Total Liabilities</b>		<b>178 734 333</b>	<b>186 710 683</b>
<b>NET ASSETS</b>		<b>1 898 694 981</b>	<b>1 693 624 365</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	16	1 898 694 984	1 693 624 366

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2019**

	Note	2019 R	2018 - Restated R	2018 - Correction R	2018 R
<b>REVENUE</b>					
<u>Revenue from non-exchange transactions</u>		<b>531 895 726</b>	<b>544 747 169</b>	-	<b>544 747 169</b>
Transfer revenue		531 793 482	537 243 558	-	537 243 558
Government grants and subsidies - capital	17	237 960 918	132 635 748	-	132 635 748
Government grants and subsidies - operational	17	293 187 564	404 607 810	-	404 607 810
Public contributions and donations	18	645 000	-	-	-
Transfer of function		-	-	-	-
<b>Other revenue</b>		<b>102 244</b>	<b>7 503 611</b>	-	<b>7 503 611</b>
Foreign exchange gains		-	-	-	-
Actuarial gains	19	-	7 503 611	-	7 503 611
Inventory adjustments	2	102 244	-	-	-
Reversal of impairments	20	-	-	-	-
<u>Revenue from exchange transactions</u>		<b>184 234 555</b>	<b>110 650 109</b>	-	<b>110 650 109</b>
Service charges	21	148 797 151	77 137 650	-	77 137 650
Government services	22	-	5 053 194	-	5 053 194
Interest earned - external investments	23	3 255 361	4 620 844	-	4 620 844
Interest earned - outstanding debtors	24	31 564 310	22 124 400	-	22 124 400
Other income	25	617 733	1 714 020	-	1 714 020
<b>Total Revenue</b>		<b>716 130 281</b>	<b>655 397 278</b>	-	<b>655 397 278</b>
<b>EXPENDITURE</b>					
Employee related costs	26	217 474 540	210 133 486	-	210 133 486
Remuneration of Councillors	27	5 979 722	5 953 332	-	5 953 332
Debt impairment	28	71 724 178	32 991 009	-	32 991 009
Impairments	29	-	-	-	-
Foreign exchange loss		-	-	-	-
Depreciation and Amortisation	30	-	49 158 583	-	49 158 583
Repairs and maintenance	31	13 919 406	6 975 583	-	6 975 583
Finance charges	32	823 995	5 645 688	-	5 645 688
Contracted services	33	8 624 684	14 872 932	-	14 872 932
Bulk purchases	34	5 999 292	4 458 788	-	4 458 788
Grants and subsidies paid	35	10 574 521	8 495 130	-	8 495 130
Inventory adjustments	2	-	70 785	-	70 785
Operating grant expenditure	36	63 683 611	124 950 262	-	124 950 262
Emergency drought relief	37	-	1 054 614	-	1 054 614
General Expenditure	38	112 255 715	98 965 059	-	98 965 059
Loss on disposal of Property, plant and equipment	39	-	1 442 285	-	1 442 285
<b>Total Expenditure</b>		<b>511 059 663</b>	<b>565 167 535</b>	-	<b>565 167 535</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>205 070 617</b>	<b>90 229 743</b>	-	<b>90 229 743</b>



# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R Accumulated Surplus
<b>Balance at 30 July 2017</b>	<b>1 603 394 623</b>
Correction of error restatement - note	
<b>Restated balance at 1 July 2017</b>	<b>1 603 394 623</b>
Net Surplus/(Deficit) for the year	90 229 743
<b>Balance at 30 June 2018</b>	<b>1 693 624 366</b>
Net Surplus/(Deficit) for the year	205 070 617
<b>Balance at 30 June 2019</b>	<b>1 898 694 984</b>



**JOE GQABI DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018 R	2018 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>575 597 015</b>	<b>578 624 910</b>
Service charges and other		33 942 152	35 765 297
Government grants		541 654 863	542 859 613
<b>Payments</b>		<b>(455 182 872)</b>	<b>(459 438 027)</b>
Suppliers		(217 838 007)	(236 214 848)
Employees		(237 344 865)	(223 223 179)
Cash generated from/(utilised in) operations		120 414 142	119 186 883
Interest received		34 819 672	26 745 244
Interest paid		(823 995)	(1 113 331)
<b>Net cash from operating activities</b>	<b>41</b>	<b>154 409 819</b>	<b>144 818 797</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Capital Assets		(130 126 220)	(125 091 318)
(Increase)/decrease of other assets		-	-
<b>Net cash from investing activities</b>		<b>(130 126 220)</b>	<b>(125 091 318)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in consumer deposits		17 719	23 311
Proceeds/(repayment) of finance lease liability		(1 338 878)	(2 105 135)
Proceeds/(repayment) of other long-term liabilities		(1 580 437)	(1 419 326)
<b>Total Expenditure</b>		<b>(2 901 596)</b>	<b>(3 501 150)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21 382 003</b>	<b>16 226 329</b>
Cash and cash equivalents at the beginning of the year		12 654 580	-3 487 782
Cash and cash equivalents at the end of the year	<b>3</b>	4 845 072	12 654 580

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

**2018/2019**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	<b>2019 R (Actual)</b>	<b>2019 R (Final Budget)</b>	<b>2019 R (Variance)</b>		<b>Explanations for material variances (10% of line-item)</b>
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	729 560	23 359 452	(22 629 891)	-97%	Due to unspent grants at year end
Call investment deposits	4 115 512	4 343 174	(227 662)	-5%	Classified under the cash item
Consumer debtors	236 463 434	121 294 493	115 168 941	95%	Anticipated improvement on debtors
Other Receivables	7 324 036	26 275 063	(18 951 027)	-72%	Increase in VAT Receivable
Inventory	2 177 544	2 377 840	(200 296)	-8%	More inventory utilised than anticipated
<b>Total current assets</b>	<b>250 810 086</b>	<b>177 650 022</b>	<b>73 160 064</b>		
<b>Non current assets</b>					
Investments	3 665 509	3 305 081	360 428	11%	Immaterial
Investment property	2 438 848	2 533 755	(94 907)	-4%	Immaterial
Property, plant and equipment	1 811 189 390	1 794 436 114	16 753 277	1%	Immaterial
Intangible Assets	452 822	314 557	138 265	44%	Amortisation was lessor than anticipated
<b>Total non current assets</b>	<b>1 817 746 569</b>	<b>1 800 589 507</b>	<b>17 157 062</b>		
<b>TOTAL ASSETS</b>	<b>2 068 556 655</b>	<b>1 978 239 529</b>	<b>90 317 126</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	2 625 487	2 147 234	478 254	22%	Effect of fluctuations in interest rate
Consumer deposits	975 566	900 255	75 311	8%	More consumer deposits received than budgeted for
Trade and other payables	99 460 445	102 034 835	(2 574 390)	-3%	Effect of Unspent Grants
Provisions and Employee Benefits	30 090 046	22 922 255	7 167 791	31%	Decrease in Employee Benefits resulting from vacant post
<b>Total current liabilities</b>	<b>133 151 544</b>	<b>128 004 578</b>	<b>5 146 966</b>		
<b>Non current liabilities</b>					
Borrowing	3 546 390	9 562 207	(6 015 817)	-63%	Effect of fluctuations in interest rate
Provisions and Employee Benefits	34 276 280	50 280 900	(16 004 620)	-32%	Effect of Actuarial Gain as per Arch calculations
<b>Total non current liabilities</b>	<b>37 822 670</b>	<b>59 843 107</b>	<b>(22 020 437)</b>		
<b>TOTAL LIABILITIES</b>	<b>170 974 215</b>	<b>187 847 686</b>	<b>(16 873 471)</b>		
<b>NET ASSETS</b>	<b>1 897 582 440</b>	<b>1 790 391 843</b>	<b>107 190 597</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	1 897 621 574	1 790 391 858	107 229 716	6%	Appropriation to and from Reserves
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 897 621 574</b>	<b>1 790 391 858</b>	<b>107 229 716</b>		

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	672 650	22 686 802	23 359 452	97%	Effect of the inclusion of 2018 Audited figures as opening balance and changes to operating a
Call investment deposits	4 343 174	-	4 343 174	0%	No Adjustment
Consumer debtors	121 294 493	-	121 294 493	0%	No Adjustment
Other Receivables	26 275 063	-	26 275 063	0%	No Adjustment
Inventory	2 377 840	-	2 377 840	0%	No Adjustment
<b>Total current assets</b>	<b>154 963 220</b>	<b>22 686 802</b>	<b>177 650 022</b>		
<b>Non current assets</b>					
Investments	3 305 081	-	3 305 081	0%	No Adjustment
Investment property	2 533 755	-	2 533 755	0%	No Adjustment
Property, plant and equipment	1 825 019 832	(30 583 718)	1 794 436 114	-2%	Realignment of MIG grants and internally generated funds to operational projects
Intangible Assets	414 557	(100 000)	314 557	-32%	Realignment of internally generated funds to operational projects
<b>Total non current assets</b>	<b>1 831 273 225</b>	<b>(30 683 718)</b>	<b>1 800 589 507</b>		
<b>TOTAL ASSETS</b>	<b>1 986 236 445</b>	<b>(7 996 916)</b>	<b>1 978 239 529</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	2 147 234	-	2 147 234	0%	No Adjustment
Consumer deposits	900 255	-	900 255	0%	No Adjustment
Trade and other payables	15 089 710	86 945 125	102 034 835	85%	Effect of the inclusion of 2018 Audited figures as opening balance and changes to operating a
Provisions	22 922 255	-	22 922 255	0%	No Adjustment
<b>Total current liabilities</b>	<b>41 059 453</b>	<b>86 945 125</b>	<b>128 004 578</b>		
<b>Non current liabilities</b>					
Borrowing	9 562 207	-	9 562 207	0%	No Adjustment
Provisions and Employee Benefits	50 280 900	-	50 280 900	0%	No Adjustment
<b>Total non current liabilities</b>	<b>59 843 107</b>	<b>-</b>	<b>59 843 107</b>		
<b>TOTAL LIABILITIES</b>	<b>100 902 561</b>	<b>86 945 125</b>	<b>187 847 686</b>		
<b>NET ASSETS</b>	<b>1 885 333 884</b>	<b>(94 942 041)</b>	<b>1 790 391 843</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	1 885 333 899	(94 942 041)	1 790 391 858	-5%	No Adjustment
Reserves	-	-	-	0%	No Adjustment
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 885 333 899</b>	<b>(94 942 041)</b>	<b>1 790 391 858</b>		

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	12 654 580	2 579 460	10 075 120	391%	Due to unspent grants at year end
Call investment deposits	-	629 590	(629 590)	-100%	Classified under the cash item
Consumer debtors	147 376 345	105 990 975	41 385 370	39%	Anticipated improvement on debtors
Other Receivables	30 137 075	31 275 063	(1 137 988)	-4%	Increase in VAT Receivable
Inventory	2 640 698	3 177 840	(537 142)	-17%	More inventory utilised than anticipated
<b>Total current assets</b>	<b>192 808 699</b>	<b>143 652 928</b>	<b>49 155 771</b>		
<b>Non current assets</b>					
Investments	3 571 508	3 305 081	266 427	8%	Immaterial
Investment property	2 438 848	2 533 755	(94 907)	-4%	Immaterial
Property, plant and equipment	1 681 063 170	1 664 840 474	16 222 696	1%	Immaterial
Intangible Assets	452 822	234 014	218 808	94%	Amortisation was lessor than anticipated
<b>Total non current assets</b>	<b>1 687 526 349</b>	<b>1 670 913 324</b>	<b>16 613 025</b>		
<b>TOTAL ASSETS</b>	<b>1 880 335 048</b>	<b>1 814 566 252</b>	<b>65 768 796</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	1 584 875	2 684 042	(1 099 167)	-41%	Effect of fluctuations in interest rate
Consumer deposits	957 847	890 255	67 592	8%	More consumer deposits received than budgeted for
Trade and other payables	111 526 757	31 640 756	79 886 001	252%	Effect of Unspent Grants
Provisions and Employee Benefits	30 858 606	22 909 255	7 949 351	35%	Decrease in Employee Benefits resulting from vacant post
<b>Total current liabilities</b>	<b>144 928 084</b>	<b>58 124 308</b>	<b>86 803 776</b>		
<b>Non current liabilities</b>					
Borrowing	7 506 318	11 552 291	(4 045 973)	-35%	Effect of fluctuations in interest rate
Provisions and Employee Benefits	34 276 280	59 246 214	(24 969 934)	-42%	Effect of Actuarial Gain as per Arch calculations
<b>Total non current liabilities</b>	<b>41 782 598</b>	<b>70 798 505</b>	<b>(29 015 907)</b>		
<b>TOTAL LIABILITIES</b>	<b>186 710 683</b>	<b>128 922 813</b>	<b>57 787 870</b>		
<b>NET ASSETS</b>	<b>1 693 624 365</b>	<b>1 685 643 439</b>	<b>7 980 926</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	1 693 624 365	1 685 643 439	7 980 926	0%	Appropriation to and from Reserves
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 693 624 365</b>	<b>1 685 643 439</b>	<b>7 980 926</b>		

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	2 579 460	-	2 579 460	0%	No Adjustment
Call investment deposits	629 590	-	629 590	0%	No Adjustment
Consumer debtors	105 990 975	-	105 990 975	0%	No Adjustment
Other Receivables	31 275 063	-	31 275 063	0%	No Adjustment
Inventory	3 177 840	-	3 177 840	0%	No Adjustment
<b>Total current assets</b>	<b>143 652 928</b>	<b>-</b>	<b>143 652 928</b>		
<b>Non current assets</b>					
Investments	3 305 081	-	3 305 081	0%	No Adjustment
Investment property	2 533 755	-	2 533 755	0%	No Adjustment
Property, plant and equipment	1 664 840 474	-	1 664 840 474	0%	No Adjustment
Intangible Assets	234 014	-	234 014	0%	No Adjustment
<b>Total non current assets</b>	<b>1 670 913 324</b>	<b>-</b>	<b>1 670 913 324</b>		
<b>TOTAL ASSETS</b>	<b>1 814 566 252</b>	<b>-</b>	<b>1 814 566 252</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	2 684 042	-	2 684 042	0%	No Adjustment
Consumer deposits	890 255	-	890 255	0%	No Adjustment
Trade and other payables	31 640 756	-	31 640 756	0%	No Adjustment
Provisions	22 909 255	-	22 909 255	0%	No Adjustment
<b>Total current liabilities</b>	<b>58 124 308</b>	<b>-</b>	<b>58 124 308</b>		
<b>Non current liabilities</b>					
Borrowing	11 552 291	-	11 552 291	0%	No Adjustment
Provisions and Employee Benefits	59 246 214	-	59 246 214	0%	No Adjustment
<b>Total non current liabilities</b>	<b>70 798 505</b>	<b>-</b>	<b>70 798 505</b>		
<b>TOTAL LIABILITIES</b>	<b>128 922 813</b>	<b>-</b>	<b>128 922 813</b>		
<b>NET ASSETS</b>	<b>1 685 643 439</b>	<b>-</b>	<b>1 685 643 439</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	1 685 643 439	-	1 685 643 439	0%	No Adjustment
Reserves	-	-	-	0%	No Adjustment
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 685 643 439</b>	<b>-</b>	<b>1 685 643 439</b>		

# JOE GQABI MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

2018/2019

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>REVENUE BY SOURCE</b>					
Service charges	148 797 151	159 854 420	(11 057 269)	-7%	Increased efficiency of electricity reticulation and metering
Rental of facilities and equipment	-	9 003	(9 003)	-100%	New Operating lease contracts signed
Interest earned - external investments	3 255 361	4 030 000	(774 639)	-19%	Improved budgetary control and investment of excess fund
Interest earned - outstanding debtors	31 564 310	24 018 140	7 546 170	31%	Increase in Consumer Debtors
Agency services	-	540 000	(540 000)	-100%	Reclassification of line items in budget
Transfers and Subsidies - Operating	292 317 285	382 345 584	(90 028 299)	-24%	Increased PMU activities due to increased number of projects
Other revenue	1 364 977	500 016	864 961	173%	Gains on Fair Value Adjustments of Investment Property
<b>TOTAL OPERATING REVENUE</b>	<b>477 299 084</b>	<b>571 297 163</b>	<b>(93 998 079)</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	217 474 540	203 905 424	13 569 116	7%	Overtime linked to Repairs and Maintenance cost
Remuneration of councillors	5 979 722	6 376 313	(396 591)	-6%	Unknown increase of upper limits by time of budget process
Debt impairment	71 724 178	75 020 013	(3 295 835)	-4%	Increase in Consumer Debtors
Depreciation & asset impairment	-	49 456 515	(49 456 515)	-100%	Effect of capital budget not fully spent
Finance charges	823 995	3 448 002	(2 624 007)	-76%	Unforeseen result of Actuarial reports
Bulk purchases	5 999 292	9 150 000	(3 150 708)	-34%	Management of the monthly billing from water affairs
Contracted services	96 802 222	145 061 286	(48 259 064)	-33%	Classification between contracted services and other expenditure
Other expenditure	112 255 715	107 733 586	4 522 129	4%	Classification between contracted services and other expenditure
<b>TOTAL OPERATING EXPENDITURE</b>	<b>511 059 663</b>	<b>600 151 139</b>	<b>(89 091 476)</b>	85%	
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>					
	<b>(33 760 580)</b>	<b>(28 853 976)</b>	<b>(4 906 604)</b>		
Transfers and Subsidies - Capital	237 757 788	174 458 000	63 299 788	-15%	
<b>NET SURPLUS FOR THE YEAR</b>	<b>203 997 208</b>	<b>145 604 024</b>	<b>58 393 184</b>		



# JOE GQABI MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)		Explanations for material variances (10% of line-item)
<b>REVENUE BY SOURCE</b>					
Service charges	159 854 420	-	159 854 420	0%	No adjustment
Rental of facilities and equipment	690 721	(681 718)	9 003	-7572%	Reduction of income from the Department of Environmental Affairs
Interest earned - external investments	4 030 000	-	4 030 000	0%	No adjustment
Interest earned - outstanding debtors	24 018 140	-	24 018 140	0%	No adjustment
Agency services	1 635 750	(1 095 750)	540 000	-203%	Reduction of income from the Department of Roads and Public Works and Department of Enviro
Government Grants and Subsidies - Operating	366 100 922	16 244 662	382 345 584	4%	Realignment of grants
Other revenue	500 016	-	500 016	0%	No adjustment
<b>TOTAL OPERATING REVENUE</b>	<b>556 829 969</b>	<b>14 467 194</b>	<b>571 297 163</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	202 556 723	1 348 701	203 905 424	1%	Increased to a more realistic amount based on the actuals for the first six months
Remuneration of councillors	6 256 313	120 000	6 376 313	2%	Decreased to a more realistic amount based on the actuals for the first six months
Debt impairment	75 020 013	-	75 020 013	0%	No adjustment
Depreciation & asset impairment	49 456 515	-	49 456 515	0%	No adjustment
Finance charges	3 378 002	70 000	3 448 002	2%	Increased to a more realistic amount based on the actuals for the first six months
Bulk purchases	10 000 000	(850 000)	9 150 000	-9%	Decreased to a more realistic amount based on the actuals for the first six months
Contracted services	100 683 944	44 377 342	145 061 286	31%	Increased to a more realistic amount based on the actuals for the first six months
Other expenditure	121 472 999	(13 739 413)	107 733 586	-13%	Realignment of expenditure to mSCOA revised classifications
<b>TOTAL OPERATING EXPENDITURE</b>	<b>568 824 509</b>	<b>31 326 630</b>	<b>600 151 139</b>		
<b>OPERATING DEFICIT FOR THE YEAR</b>	<b>(11 994 540)</b>	<b>(16 859 436)</b>	<b>(28 853 976)</b>		
Government Grants and Subsidies - Capital	211 685 000	(37 227 000)	174 458 000	-15%	Reversal of the Provincial Public Works Roads Infrastructure Grant
<b>NET SURPLUS FOR THE YEAR</b>	<b>199 690 460</b>	<b>(54 086 436)</b>	<b>145 604 024</b>		

# JOE GQABI MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

2017/2018

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>REVENUE BY SOURCE</b>					
Service charges	77 137 650	183 421 857	(106 284 207)	-58%	Increased efficiency of electricity reticulation and metering
Rental of facilities and equipment	-	9 000	(9 000)	-100%	New Operating lease contracts signed
Interest earned - external investments	4 620 844	4 030 000	590 844	15%	Improved budgetary control and investment of excess fund
Interest earned - outstanding debtors	22 124 400	20 653 000	1 471 400	7%	Increase in Consumer Debtors
Agency services		992 000	(992 000)	-100%	Reclassification of line items in budget
Transfers and Subsidies - Operating	404 607 810	385 634 400	18 973 410	5%	Increased PMU activities due to increased number of projects
Other revenue	14 270 825	592 577	13 678 248	2308%	Gains on Fair Value Adjustments of Investment Property
<b>TOTAL OPERATING REVENUE</b>	<b>522 761 530</b>	<b>595 332 834</b>	<b>(72 571 304)</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	210 133 486	73 660 432	136 473 054	185%	Overtime linked to Repairs and Maintenance cost
Remuneration of councillors	5 953 332	12 549 764	(6 596 432)	-53%	Unknown increase of upper limits by time of budget process
Debt impairment	32 991 009	4 656 580	28 334 429	608%	Increase in Consumer Debtors
Depreciation & asset impairment	49 158 583	19 651 538	29 507 045	150%	Effect of capital budget not fully spent
Finance charges	5 645 688	2 743 011	2 902 677	106%	Unforeseen result of Actuarial reports
Bulk purchases	4 458 788	33 198 414	(28 739 626)	-87%	Management of the monthly billing from water affairs
Contracted services	14 872 932	24 464 105	(9 591 173)	-39%	Classification between contracted services and other expenditure
Other expenditure	241 953 718	38 674 932	203 278 785	526%	Classification between contracted services and other expenditure
<b>TOTAL OPERATING EXPENDITURE</b>	<b>565 167 535</b>	<b>209 598 776</b>	<b>355 568 759</b>	270%	
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>					
	<b>(42 406 006)</b>	<b>385 734 057</b>	<b>(428 140 063)</b>		
Transfers and Subsidies - Capital	132 635 748	39 728 000	92 907 748	-15%	
<b>NET SURPLUS FOR THE YEAR</b>	<b>90 229 743</b>	<b>425 462 057</b>	<b>(335 232 314)</b>		

# JOE GQABI MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)		Explanations for material variances (10% of line-item)
<b>REVENUE BY SOURCE</b>					
Service charges	183 421 857	(0)	183 421 857	0%	No adjustment
Rental of facilities and equipment	9 000	-	9 000	0%	No adjustment
Interest earned - external investments	4 030 000	-	4 030 000	0%	No adjustment
Interest earned - outstanding debtors	20 652 933	67	20 653 000	0%	No adjustment
Agency services	992 000	-	992 000	0%	No adjustment
Government Grants and Subsidies - Operating	391 482 307	(5 847 907)	385 634 400	-2%	Realignment of grants
Other revenue	592 576	1	592 577	0%	No adjustment
<b>TOTAL OPERATING REVENUE</b>	<b>601 180 673</b>	<b>(5 847 839)</b>	<b>595 332 834</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	192 833 031	(599 391)	73 660 432	-1%	Decreased to a more realistic amount based on the actuals for the first six months
Remuneration of councillors	5 572 483	(0)	12 549 764	0%	No Adjustment
Debt impairment	75 020 004	(10 123)	4 656 580	0%	Decreased to a more realistic amount comparing to the 2015/16 financial statements
Depreciation & asset impairment	46 371 942	585 915	19 651 538	3%	Increased to a more realistic amount comparing to the 2015/16 financial statements
Finance charges	1 003 380	1 593 601	2 743 011	58%	Realignment of expenditure to mSCOA revised classifications
Bulk purchases	9 000 000	65 033	33 198 414	0%	Increased to a more realistic amount based on the actuals for the first six months
Contracted services	146 654 830	1 824 975	24 464 105	7%	Realignment of expenditure to mSCOA revised classifications
Other expenditure	115 113 431	72 626	38 674 932	0%	Increased to a more realistic amount based on the actuals for the first six months
<b>TOTAL OPERATING EXPENDITURE</b>	<b>591 569 102</b>	<b>3 532 635</b>	<b>209 598 776</b>		
<b>OPERATING DEFICIT FOR THE YEAR</b>	<b>9 611 571</b>	<b>(9 380 474)</b>	<b>385 734 057</b>		
Government Grants and Subsidies - Capital	213 217 160	(6 000 000)	39 728 000	-15%	Reversal of the Provincial Public Works Roads Infrastructure Grant
<b>NET SURPLUS FOR THE YEAR</b>	<b>222 828 731</b>	<b>(15 380 474)</b>	<b>425 462 057</b>		

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019**

2018/2019

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances (10% of line-item)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Service charges and other	33 942 152	63 941 768	(29 999 616)	-47% More cash received than anticipated
Government - operating	541 654 863	578 478 584	(36 823 721)	-6% Increased PMU activities due to increased number of projects
Interest	34 819 672	13 637 255	21 182 416	155% Improved budgetary control and investment of excess fund
<b>Payments</b>				
Suppliers and Employees	(455 182 872)	(430 550 515)	(24 632 358)	6% Late appointments for vacant posts, Increase efficiency of electricity reticulation and metering
Finance charges	(823 995)	(3 096 500)	2 272 505	-73% Non cash items not included
Transfers and Grants	-	-	-	0% Immaterial
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>154 409 819</b>	<b>222 410 593</b>	<b>(68 000 774)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE		-	-	
<b>Payments</b>				
Capital assets	(130 126 220)	(194 838 416)	64 712 196	-33% Under-expenditure of Capital Budget
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(130 126 220)</b>	<b>(194 838 416)</b>	<b>64 712 196</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Increase in consumer deposits	17 719	-	17 719	0% Increase in Consumers
<b>Payments</b>				
Repayment of borrowing	(2 919 315)	(5 904 892)	2 985 577	-51% Effect of fluctuations in interest rate
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2 901 596)</b>	<b>(5 904 892)</b>	<b>3 003 296</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>21 382 003</b>	<b>21 667 284</b>	<b>(285 281)</b>	
Cash and Cash Equivalents at the beginning of the year	12 654 580	3 208 623	9 445 957	0%
Cash and Cash Equivalents at the end of the year	4 845 072	27 702 374	(22 857 302)	21% Result of Increased revenue, improved control and part under-expenditure

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019**

**ADJUSTMENTS TO APPROVED BUDGET**

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Service charges	63 941 768	-	63 941 768	0%	No adjustment
Government grants	577 785 922	692 662	578 478 584	0%	Immaterial
Other revenue	2 826 467		2 826 467	0%	No adjustment
Interest	13 637 255	-	13 637 255	0%	No adjustment
<b>Payments</b>					
Suppliers and Employees	(421 860 686)	(8 689 829)	(430 550 515)	2%	Increased to a more realistic amount based on the actuals for the first six months
Finance charges	(3 096 500)	-	(3 096 500)	0%	No adjustment
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>233 234 227</b>	<b>(7 997 167)</b>	<b>225 237 060</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE	-	-	-	0%	
<b>Payments</b>					
Capital assets	(225 522 134)	30 683 718	(194 838 416)	-16%	Realignment of MIG grants and internally generated funds to operational projects
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(225 522 134)</b>	<b>30 683 718</b>	<b>(194 838 416)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	-	-	-		
<b>Payments</b>					
Repayment of borrowing	(5 904 892)	-	(5 904 892)	0%	No Adjustment
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5 904 892)</b>	<b>-</b>	<b>(5 904 892)</b>		
<b>NET DECREASE IN CASH HELD</b>	<b>1 807 200</b>	<b>22 686 551</b>	<b>24 493 751</b>		
Cash and Cash Equivalents at the beginning of the year	3 208 623	-	3 208 623	0%	No adjustment
Cash and Cash Equivalents at the end of the year	5 015 823	22 686 551	27 702 374	82%	No adjustment

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019**

2017/2018

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Service charges and other	35 765 297	82 467 192	(46 701 894)	-57%	More cash received than anticipated
Government - operating	542 859 613	393 399 400	149 460 213	38%	Increased PMU activities due to increased number of projects
Interest	26 745 244	4 040 000	22 705 244	562%	Improved budgetary control and investment of excess fund
<b>Payments</b>					
Suppliers and Employees	(459 378 535)	(457 094 064)	(2 284 472)	0%	Late appointments for vacant posts, Increase efficiency of electricity reticulation and metering
Finance charges	(1 113 331)	(8 495 000)	7 381 669	-87%	Non cash items not included
Transfers and Grants	-	-	-	0%	Immaterial
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>144 878 288</b>	<b>14 317 528</b>	<b>130 560 760</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE		-	-		
<b>Payments</b>					
Capital assets	(125 091 318)	(218 488 636)	93 397 318	-43%	Under-expenditure of Capital Budget
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(125 091 318)</b>	<b>(218 488 636)</b>	<b>93 397 318</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	23 311	-	23 311	0%	Increase in Consumers
<b>Payments</b>					
Repayment of borrowing	(3 524 461)	(4 026 062)	501 601	-12%	Effect of fluctuations in interest rate
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(3 501 150)</b>	<b>(4 026 062)</b>	<b>524 913</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>16 285 820</b>	<b>(208 197 170)</b>	<b>224 482 991</b>		
Cash and Cash Equivalents at the beginning of the year	(3 487 782)	(3 487 782)	-	0%	
Cash and Cash Equivalents at the end of the year	12 654 580	3 208 623	9 445 957	21%	Result of Increased revenue, improved control and part under-expenditure

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Service charges	84 360 767	(1 893 575)	82 467 192	-2%	Immaterial
Government grants	606 399 400	(213 000 000)	393 399 400	-54%	Adjustment on overstatement
Interest	4 040 000	-	4 040 000	0%	No adjustment
<b>Payments</b>					
Suppliers and Employees	(457 094 064)	-	(457 094 064)	0%	No adjustment
Finance charges	(8 495 000)	-	(8 495 000)	0%	No adjustment
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>229 211 103</b>	<b>(214 893 575)</b>	<b>14 317 528</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE	-	-	-	0%	
<b>Payments</b>					
Capital assets	(218 488 636)	-	(218 488 636)	0%	No adjustment
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(218 488 636)</b>	<b>-</b>	<b>(218 488 636)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase in consumer deposits	-	-	-		
<b>Payments</b>					
Repayment of borrowing	(4 026 062)	-	(4 026 062)	0%	No Adjustment
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(4 026 062)</b>	<b>-</b>	<b>(4 026 062)</b>		
<b>NET DECREASE IN CASH HELD</b>	<b>6 696 405</b>	<b>(214 893 575)</b>	<b>(208 197 170)</b>		
Cash and Cash Equivalents at the beginning of the year	(3 487 782)	-	(3 487 782)	0%	No adjustment
Cash and Cash Equivalents at the end of the year	3 208 623	-	3 208 623	0%	No adjustment

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 55 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATE OUTCOME 2018 R
<b>Financial Performance</b>						
Service charges and other	159 854 420	-	159 854 420	180 361 461	(20 507 041)	104 315 245
Investment revenue	28 048 140	-	28 048 140	3 255 361	24 792 779	4 620 844
Transfers recognised - operational	366 100 922	16 244 662	382 345 584	292 317 285	90 028 299	404 607 810
Other own revenue	2 826 487	(1 777 468)	1 049 019	1 364 977	(315 958)	9 217 631
<b>Total Operating Revenue</b>	<b>556 829 969</b>	<b>14 467 194</b>	<b>571 297 163</b>	<b>477 299 084</b>	<b>93 998 079</b>	<b>522 761 530</b>
Employee costs	202 556 723	1 348 701	203 905 424	217 474 540	(13 569 116)	210 133 486
Remuneration of councillors	6 256 313	120 000	6 376 313	5 979 722	396 591	5 953 332
Debt impairment	75 020 013	-	75 020 013	71 724 178	3 295 835	32 991 009
Depreciation & asset impairment	49 456 515	-	49 456 515	-	49 456 515	49 158 583
Finance charges	3 378 002	70 000	3 448 002	823 995	2 624 007	5 645 688
Materials and bulk purchases	41 167 606	(8 095 256)	33 072 350	5 999 292	27 073 058	4 458 788
Contracted services	100 683 944	44 377 342	145 061 286	86 227 701	58 833 585	147 853 392
Transfers and grants	9 305 000	50 000	9 355 000	10 574 521	(1 219 521)	8 495 130
Other expenditure	81 000 393	(6 544 157)	74 456 236	112 255 715	(37 799 479)	99 035 844
Loss on disposal of PPE	-	-	-	-	-	1 442 285
<b>Total Expenditure</b>	<b>568 824 509</b>	<b>31 326 630</b>	<b>600 151 139</b>	<b>511 059 663</b>	<b>89 091 476</b>	<b>565 167 535</b>
<b>Surplus/(Deficit)</b>	<b>(11 994 540)</b>	<b>(16 859 436)</b>	<b>(28 853 976)</b>	<b>(33 760 580)</b>	<b>4 906 604</b>	<b>(42 406 006)</b>
Transfers recognised - capital	211 685 000	(37 227 000)	174 458 000	237 757 788	(63 299 788)	132 635 748
<b>Surplus/(Deficit) for the year</b>	<b>199 690 460</b>	<b>(54 086 436)</b>	<b>145 604 024</b>	<b>203 997 208</b>	<b>(58 393 184)</b>	<b>90 229 743</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 55 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	225 522 134	(30 683 718)	194 838 416	-	194 838 416	-
Transfers recognised - capital	225 522 134	(41 133 718)	184 388 416	237 757 788	(53 369 372)	132 635 748
Internally generated funds	-	10 450 000	10 450 000	700 000	9 750 000	-
<b>Total sources of capital funds</b>	225 522 134	(30 683 718)	194 838 416	238 457 788	(43 619 372)	132 635 748
<b>Cash flows</b>						
Net cash from (used) operating	233 234 227	(7 997 167)	225 237 060	154 409 819	70 827 241	144 818 797
Net cash from (used) investing	(225 522 134)	30 683 718	(194 838 416)	(130 126 220)	(64 712 196)	(125 091 318)
Net cash from (used) financing	(5 904 892)	-	(5 904 892)	(2 901 596)	(3 003 296)	(3 501 150)
Net Cash Movement for the year	1 807 200	22 686 551	24 493 751	21 382 003	3 111 748	16 226 329
Cash/cash equivalents at beginning of year	3 208 623	-	3 208 623	12 654 580	(9 445 957)	(3 487 782)
<b>Cash/cash equivalents at the year end</b>	<b>5 015 823</b>	<b>22 686 551</b>	<b>27 702 374</b>	<b>34 036 583</b>	<b>(6 334 209)</b>	<b>12 738 547</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 55 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>Financial Performance</b>						
Service charges and other	135 396 288	48 025 569	183 421 857	77 137 650	106 284 207	91 671 035
Investment revenue	17 118 000	7 565 000	24 683 000	26 745 244	(2 062 244)	27 401 827
Transfers recognised - operational	355 444 400	30 190 000	385 634 400	404 607 810	(18 973 410)	314 816 629
Other own revenue	1 380 294	204 283	1 584 577	14 270 825	(12 686 248)	17 662 941
<b>Total Operating Revenue</b>	<b>509 338 982</b>	<b>85 984 852</b>	<b>595 323 834</b>	<b>522 761 530</b>	<b>72 562 304</b>	<b>451 552 432</b>
Employee costs	186 951 256	11 820 197	198 771 453	210 133 486	(11 362 033)	186 858 916
Remuneration of councillors	7 242 394	(1 669 910)	5 572 484	5 953 332	(380 848)	5 201 912
Debt impairment	20 875 142	43 747 042	64 622 184	32 991 009	31 631 175	37 676 467
Depreciation & asset impairment	46 920 678	(548 736)	46 371 942	49 158 583	(2 786 641)	48 181 628
Finance charges	2 293 887	(1 290 506)	1 003 381	5 645 688	(4 642 307)	5 916 126
Materials and bulk purchases	9 000 000	-	9 000 000	4 458 788	4 541 212	4 163 900
Contracted services	111 507 169	43 611 420	155 118 588	14 872 932	140 245 656	14 441 985
Transfers and grants	16 505 339	(8 010 339)	8 495 000	8 495 130	(130)	7 770 483
Other expenditure	116 976 108	(14 362 036)	102 614 071	232 016 303	(129 402 232)	191 275 422
Loss on disposal of PPE	-	-	-	1 442 285	(1 442 285)	575 578
<b>Total Expenditure</b>	<b>518 271 972</b>	<b>73 297 132</b>	<b>591 569 103</b>	<b>565 167 535</b>	<b>2 554 056</b>	<b>502 062 417</b>
<b>Surplus/(Deficit)</b>	<b>(8 932 990)</b>	<b>12 687 720</b>	<b>3 754 730</b>	<b>20 127 965</b>	<b>11 102 745</b>	<b>38 059 791</b>
Transfers recognised - capital	254 155 000	(35 090 000)	219 065 000			
<b>Surplus/(Deficit) for the year</b>	<b>245 222 010</b>	<b>(22 402 280)</b>	<b>222 819 730</b>	<b>53 811 526</b>	<b>5 058 306</b>	<b>70 015 570</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 55 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	258 546 000	(27 294 053)	231 251 947	125 091 318	106 160 629	230 856 982
Transfers recognised - capital	254 155 000	(35 090 000)	219 065 000	132 635 748	86 429 252	250 801 995
Internally generated funds	4 391 000	7 795 947	12 186 947	1 790 333	10 396 614	1 388 223
<b>Total sources of capital funds</b>	258 546 000	(27 294 053)	231 251 947	134 426 081	96 825 866	252 190 218
<b>Cash flows</b>						
Net cash from (used) operating	263 053 566	(33 842 463)	229 211 103	144 878 288	84 332 815	228 257 533
Net cash from (used) investing	(258 546 000)	40 057 364	(218 488 636)	(125 091 318)	(93 397 318)	(230 856 982)
Net cash from (used) financing	(4 026 062)	-	(4 026 062)	(3 501 150)	(524 913)	(3 309 878)
Net Cash Movement for the year	481 504	6 214 901	6 696 405	16 285 820	(9 589 416)	(5 909 327)
Cash/cash equivalents at beginning of year	2 421 546	(5 909 328)	(3 487 782)	(3 487 782)	-	2 421 545
<b>Cash/cash equivalents at the year end</b>	<b>2 903 050</b>	<b>305 573</b>	<b>3 208 623</b>	<b>12 798 039</b>	<b>(9 589 416)</b>	<b>(3 487 781)</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

#### 1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2017) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

#### 1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

#### 1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

### 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2016 to 30 June 2017. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- \* the approved and final budget amounts;
- \* actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20	<b>Related Party Disclosure</b>	1 April 2019
	The objective of this standards is to establish principles for reporting financial information by segments. This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (mSCOA). Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 32	<b>Service Concession Arrangements: Grantor</b>	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 34	<b>Separate Financial Statements</b>	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

GRAP 35	<b>Consolidated Financial Statements</b>	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 36	<b>Investments in Associates and Joint Ventures</b>	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 37	<b>Joint Arrangements</b>	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 38	<b>Disclosure of Interests in other Entities</b>	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 108	<b>Statutory Receivables</b>	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP109	<b>Accounting by Principals and Agents</b>	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 110	<b>Living and Non-Living Resources</b>	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
iGRAP 17	<b>Service Concession Arrangements where a grantor controls a significant residual interest in an asset</b>	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	

### 1.9. LEASES

#### 1.9.1 Municipality as Lessee

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition.

### 1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

### 1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- \* Unspent conditional grants are recognised as a liability when the grant is received.
- \* When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- \* The cash which backs up the creditor is invested as individual investment or part
- \* Interest earned on the investment is treated in accordance with grant

### 1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at
  - \* the business or part of a business concerned;
  - \* the principal locations affected;
  - \* the location, function and approximate number of
  - \* the expenditures that will be undertaken; and
  - \* when the plan will be implemented.

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

### 1.13. EMPLOYEE BENEFITS

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

### 1.13.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.13.3 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.13.4 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

### 1.13.5 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

### 1.13.6 Provision for Performance Bonuses

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees and middle management, is recognised as it accrue to Section 57 employees and middle managers. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 1.13.7 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

### 1.13.8 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- \* as a liability (accrued expense), after deducting any amount already paid. If the
- \* as an expense, unless another Standard requires or permits the inclusion of the

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.14. PROPERTY, PLANT AND EQUIPMENT

#### 1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

### 1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<i>Years</i>
<b><u>Infrastructure</u></b>	
Water	7 – 118
Sewerage	8 – 101
<b><u>Land and Buildings</u></b>	
Buildings	20 – 30
<b><u>Other</u></b>	
Special Vehicles	10 – 16
Motor vehicles	5 – 17
Office Equipment	7 – 15
Furniture and Fittings	7 – 16
Tool and Equipment	5 – 15
Computer Equipment	3 – 17
Fire Engines	5 – 12

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.14.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.15. **INTANGIBLE ASSETS**

#### 1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- \* is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- \* arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- \* the Municipality intends to complete the intangible asset for use or sale;
- \* it is technically feasible to complete the intangible asset;
- \* the Municipality has the resources to complete the project;
- \* it is probable that the municipality will receive future economic benefits or
- \* the Municipality can measure reliably the expenditure attributable to the

Intangible assets are initially recognised at cost.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### 1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	<u>Years</u>
Computer	3 -10
Software	

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.16. INVESTMENT PROPERTY

#### 1.16.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- \* it is probable that the future economic benefits or service potential that are
- \* the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### 1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	20 - 30

### 1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

### 1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

\* During the period, an asset's market value has declined significantly more than

would be expected as a result of the passage of time or normal use.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

\* Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

\* Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

### (b) Internal sources of information

\* Evidence is available of obsolescence or physical damage of an asset.

\* Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

\* Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### 1.17.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### (a) External sources of information

- \* Cessation, or near cessation, of the demand or need for services provided by the asset.
- \* Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

### (b) Internal sources of information

- \* Evidence is available of physical damage of an asset.
- \* Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- \* A decision to halt the construction of the asset before it is complete or in a usable condition.
- \* Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- \* depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

\* restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

\* service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

### 1.18. INVENTORIES

#### 1.18.1 Initial Recognition

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

### 1.19. FINANCIAL INSTRUMENTS



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### 1.19.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.19.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.19.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.19.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.19.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

### 1.19.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.19.3 De-recognition of Financial Instruments

#### 1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

\* the rights to receive cash flows from the asset have expired? or

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

\* the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### 1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 1.20. REVENUE

### 1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

### 1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- \* The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- \* The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- \* The amount of revenue can be measured reliably.
- \* It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- \* The costs incurred or to be incurred in respect of the transaction can be measured reliably.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow

\* The prevailing rate for a similar instrument of an issuer with a similar credit rating;

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

\* A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### 1,21 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

An asset is identifiable if it either:

- \* is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- \* arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common

control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities

assumed and any non-controlling interest in the acquiree; and

- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.22. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- \* with the ability to control or jointly control the other party,
- \* or exercise significant influence over the other party, or vice versa,
- \* or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:

- \* has control or joint control over the Municipality.
- \* has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- \* is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- \* the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- \* one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- \* both entities are joint ventures of the same third party.
- \* one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- \* the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- \* the entity is controlled or jointly controlled by a person identified in (a).
- \* a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### 1.23. **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24. **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25. **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

### 1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.27.1 Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.27.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.27.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- \* The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

- \* Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

- \* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

### 1.27.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.27.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- \* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- \* The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

### 1.27.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

### 1.27.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.27.8 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### 1.27.9 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### 1.28. SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### 1.29. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.30. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- \* those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- \* those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.31 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>2 INVENTORY</b>		
Fuel and oil – at cost	481 078	653 066
Stationery and materials - at cost	270 049	538 805
Spare parts - at cost	897 183	1 021 837
Water stock - net realisable value	529 234	426 990
<b>Total Inventory</b>	<b>2 177 544</b>	<b>2 640 698</b>
Consumable stores materials (gains)/losses identified during stock counts	-	-
Inventory recognised as an expense during the year	565 398	753 294
No inventory was pledged as security.		
Inventory Adjustments made for the year (surplus)/loss	(102 244)	70 785
Fuel were purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.		
Council took a decision to replace the conventional water meters with pre paid water meters. Below are the detail of the meters procured and balance in store at year end. The cost of the meters were		
Number of pre paid meters procured for the period:	0	3500
Number of pre paid meters in stores at year end:	2818	3916
<b>3 CASH AND CASH EQUIVALENTS</b>		
Primary Bank Account	693 960	651 107
Call and short-term investments deposits	4 115 512	11 967 873
Cash floats	300	300
Petty cash	35 300	35 300
<b>Total</b>	<b>4 845 072</b>	<b>12 654 580</b>
Due to the short term nature of cash deposits, all balances included above are in line with their fair value.		
Cash and Cash Equivalents are disclosed as follow:		
<b>Current assets</b>	<b>4 845 072</b>	<b>12 654 580</b>
<b>Current liability</b>	<b>-</b>	<b>-</b>
	<b>4 845 072</b>	<b>12 654 580</b>
<b>Primary Bank Account:</b>		
ABSA Bank - Barkly East Branch - 23 800 000 19		
Bank statement balance - Opening balance	651 107	1 158 163
Bank statement balance - Closing balance	693 962	651 107
Cashbook balance - Opening balance	651 107	(5 672 687)
Cashbook balance - Closing balance	693 960	651 107

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>Call Deposits</b>		
ABSA - Acc no 9084169245	4 055 724	9 003 253
ABSA - Acc no 9185426744	1 390	319 752
ABSA - Acc no 9072226158	1 386	38 380
ABSA - Acc no 9122637071	2 670	268 139
ABSA - Acc no 9270029895	1 706	255 287
ABSA - Acc no 9276836949	52 636	2 083 061
<b>Total</b>	<b>4 115 512</b>	<b>11 967 873</b>
<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents as per the disclosure above	4 845 072	12 654 580
Less:		
Unspent Committed Conditional Grants - note 6	(7 760 118)	(2 776 738)
Pluss:		
Unpaid Spent on Conditional Grants - note 6	8 872 659	14 395 662
<b>Net cash resources available for internal distribution</b>	<b>5 957 613</b>	<b>24 273 504</b>

The municipality experienced cashflow challenges towards the end of the financial year due to the high outstanding unpaid grants. An amount of R8 872 659 is due to the municipality (2018: R14 395 662) as at year end (disclosed in note 6 and was received subsequent to year end)

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### RECEIVABLES FROM EXCHANGE TRANSACTIONS

Water	333 289 717	220 927 747
Sewerage	152 814 060	95 982 014
Local Municipalities	17 056 184	17 056 184
Walter Sisulu Local Municipality	17 056 184	17 056 184
Other Receivables	7 722 414	7 097 766
Working for Wetlands	2 050 218	2 050 218
Deposits	144 961	144 961
Other Debtors	-	2 061 601
Staff Debtors	-	509 561
Pensioners	-	2 331 425
Staff and other debtors	5 527 236	-
Expenses paid in advance	-	-
Less: Allowance for Doubtful Debts	510 882 375 (267 094 905)	341 063 711 (186 987 978)
<b>Total Net Receivables from Exchange Transactions</b>	<b>243 787 470</b>	<b>154 075 734</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate +2% is charged on overdue accounts.

Walter Sisulu Local Municipality (Previously known as Gariep Local Municipality and Maletswai Local Municipality) owe the Municipality for revenue received for water and sanitation as per the billing agreement. The amount disclosed is not the same as in the records of Walter Sisulu Local Municipality. The transactions processed by the said entity is under dispute and is therefore also resulting in no movement in the balance. Attempts during the year under review did not bear any fruits.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

The allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large consumer base over which the outstanding receivable balance is spread. Pre paid meters are also being installed throughout the district, which management believe will decrease non-payment risk and also ensure collection of arrear amounts.

## 2019

2018

### Ageing of Receivables from Exchange Transactions

Water:

Current (0 - 30 days)	12 677 214	8 536 177
Past Due (31 - 60 Days)	12 253 774	7 985 659
Past Due (61 - 90 Days)	13 620 821	7 802 080
Past Due (90 Days +)	293 660 305	196 603 831
<b>Total</b>	<b>332 212 114</b>	<b>220 927 747</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b><u>Sewerage:</u></b>		
Current (0 - 30 days)	3 888 681	4 461 295
Past Due (31 - 60 Days)	3 605 626	3 438 643
Past Due (61 - 90 Days)	3 442 736	3 336 908
Past Due (90 Days +)	110 275 994	84 745 168
<b>Total</b>	<b>121 213 037</b>	<b>95 982 014</b>

### **Other Receivables: Ageing**

Current (0 - 30 days)	-	-
Past Due (31 - 60 Days)	-	-
Past Due (61 - 90 Days)	-	-
Past Due (90 Days +)	24 778 598	24 153 950
<b>Total</b>	<b>24 778 598</b>	<b>24 153 950</b>

## 5 SOUTH AFRICAN REVENUE SERVICES

VAT Receivable	49 751 219	25 760 780
VAT Payable	(88 879 585)	(33 495 418)
Less: VAT on Provision for Debt Impairment	25 159 412	16 776 662
<b>Total South African Revenue Services</b>	<b>- 13 968 954</b>	<b>9 042 025</b>

Balance previously reported 30 June 2017

Correction of VAT implication on duplication of order as per note 14

**Restated balance as at 30 June 2017**

VAT is accounted for on the cash basis

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

### **Disclosed as follow:**

Current Liabilities from Exchange Transactions	13 968 954	-
Current Assets from Exchange Transactions	-	9 042 025

### **Reconciliation of VAT on Provision for Debt Impairment**

Opening balance	16 776 662	12 584 579
VAT on Provision for bad debts - Note 28	8 382 749	4 192 083
<b>Closing balance</b>	<b>25 159 411</b>	<b>16 776 662</b>

## 6 UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

National Government Grants	5 679 585	874 277
Provincial Government Grants	2 080 533	1 610 101
Other Grant Providers	-	292 360
<b>Unspent Grants</b>	<b>7 760 118</b>	<b>2 776 738</b>
National Government Grants	6 241 513	12 267 810
Provincial Government Grants	2 631 147	2 127 853
Other Grant Providers	0	-
<b>Less: Unpaid Grants</b>	<b>8 872 659</b>	<b>14 395 662</b>
<b>Total Conditional Grants and Receipts due to Municipality</b>	<b>1 112 541</b>	<b>11 618 924</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019**

	2019	2018
	R	R
<b>7</b>		
<b>PROPERTY PLANT AND EQUIPMENT</b>		
REFER TO SEPARATE SHEET (2 PAGES) FOR PROPERTY PLANT AND EQUIPMENT		

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>8 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	2 438 848	2 484 344
Cost	2 883 357	2 883 357
Accumulated Depreciation	(444 509)	(399 013)
Additions	-	(45 496)
Depreciation for the year	-	(45 496)
<b>Net Carrying amount at 30 June</b>	<b>2 438 848</b>	<b>2 438 848</b>
Cost	2 883 357	2 883 357
Accumulated Depreciation	(444 509)	(444 509)
Revenue derived from the rental of investment property.	-	-

No operating expenditure was incurred on investment property during the 2017/2018 and 2018/2019 financial years on investment properties.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance or enhancements.

<b>9 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>452 822</b>	<b>901 023</b>
Cost	4 395 577	4 395 577
Accumulated Amortisation	(3 942 754)	(3 494 554)
Additions and transfers from work in progress	-	(448 201)
Amortisation	-	(448 201)
<b>Net Carrying amount at 30 June</b>	<b>452 822</b>	<b>452 822</b>
Cost	4 395 577	4 395 577
Accumulated Amortisation	(3 942 754)	(3 942 754)

No intangible assets were assessed as having an indefinite useful life. There are no internally generated intangible assets at the reporting date. There are no intangible assets whose title is restricted and no intangible assets are pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
10	<b>NON-CURRENT INVESTMENTS</b>		
	<b>Financial Instruments</b>		
	Fixed Deposits	1 771 453	1 677 453
	<b>Unlisted</b>		
	Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
	Cost	6 886 141	6 886 141
	Provision for Impairment	(4 992 086)	(4 992 086)
	<b>Total Non-Current Investments</b>	<b>3 665 509</b>	<b>3 571 508</b>

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA). The purpose of the entity is to promote economic development in the district.

Prior to 1 July 2012, JoGEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the 2012/13 year, JoGEDA has become operational as a result thereof, contributions made by the Municipality are no longer capitalised. These contributions are treated as Grants and Subsidies Paid.

The provision for impairment is based on the difference between the amount invested and the net asset value of JoGEDA at a time when the Agency had other income than only being funded by the Municipality. The value was not revalued in the last three financial years due to the municipality being the sole funders. The provision for impairment is calculated on an annual basis. Net asset value of JoGEDA as disclosed in their annual financial statements is R4 362 903,28 (2018 - R3 744 836,54).

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2018 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

Investments are made in terms of the Municipality's Cash Management and Investment Policy, as required by Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

### Fixed deposit consist of the following accounts:

ABSA	- Acc no 66000 - Building - DBSA Loan	1 771 453	1 677 453
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The fixed deposit serve as collateral security for the DBSA Building loan as per note 15

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019**

		2019	2018
		R	R
11	<b>EMPLOYEE BENEFITS</b> SEE SEPARATE SHEET FOR NOTE 11 8 PAGES		

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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# **JOE GQABI DISTRICT MUNICIPALITY**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019**

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# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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# **JOE GQABI DISTRICT MUNICIPALITY**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019**

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# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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# **JOE GQABI DISTRICT MUNICIPALITY**

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# **JOE GQABI DISTRICT MUNICIPALITY**

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# **JOE GQABI DISTRICT MUNICIPALITY**

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# **JOE GQABI DISTRICT MUNICIPALITY**

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2018  
R

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

2019  
R

2018  
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# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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### CURRENT EMPLOYEE BENEFITS

	2019 R	2018 R
Staff Bonuses Accrued	5 217 757	5 720 246
Provision for Staff Leave	15 559 938	15 800 828
Provision for Performance Bonuses	6 625 390	5 814 809
Other Provisions	582 342	582 342
Current Portion of Non-Current Employee Benefits	2 104 620	2 940 382
Current Portion of Post Retirement Benefits - note 11	1 344 215	1 520 723
Current Portion of Ex Gratia Gratuities - note 11	49 759	211 976
Current Portion of Long-Service Awards - note 11	710 647	1 207 683
<b>Total Current Employee Benefits</b>	<b>30 090 046</b>	<b>30 858 606</b>

The movement in current employee benefits is reconciled as follows:

#### Staff Bonuses Accrued

Balance at beginning of year	5 720 245	5 020 657
Contribution to current portion	10 697 276	10 625 420
Expenditure incurred	(11 199 765)	(9 925 832)
<b>Balance at end of year</b>	<b>5 217 757</b>	<b>5 720 245</b>

Bonuses are being paid to all municipal staff, excluding Directors Technical Services and Community Services who have structured their packages differently. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out in December 2018 or pro-rata when employment is terminated.

#### Provision for Staff Leave

Balance at beginning of year	15 800 828	13 464 815
Contribution to current portion	2 138 627	3 804 280
Expenditure incurred	(2 379 517)	(1 468 268)
<b>Balance at end of year</b>	<b>15 559 938</b>	<b>15 800 828</b>

Staff leave is accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### Provision for Performance Bonuses

Balance at beginning of year	5 814 809	3 371 716
Contribution to current portion	3 260 529	5 057 942
Expenditure incurred	(2 449 948)	(2 614 849)
<b>Balance at end of year</b>	<b>6 625 390</b>	<b>5 814 809</b>

Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and middle management after an evaluation of performance by the council. During the year under review, performance bonuses were paid for the 2013/2014 and 2014/2015 financial year and the expenditure reflects above.

#### Other Provisions

Balance at beginning of year	582 342	582 342
Finance charges	-	-
<b>Balance at year end</b>	<b>582 342</b>	<b>582 342</b>

Other provisions are non-recurring provisions which consists out of the following at year end:  
- Shortfall in annual earnings of Cape Joint Pension Fund

It was reported that the established investment return of the fund for the 2009 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
earnings and an investment return of 5.5% on all its assets.		
<b>13 CONSUMER DEPOSITS</b>		
Water	975 566	957 847
<b>Total Consumer Deposits</b>	<b>975 566</b>	<b>957 847</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts however are being charged a consumer deposit when consumers do open the account themselves, in cases where the municipality opened an account to ensure completeness of billing, deposits might not have been paid.

### 14 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	-	92 447 712
Trade and other Payables	65 793 066	
Retention - On capital projects	7 334 384	7 334 384
Interest Accrued	155 721	200 547
Other Payables	-	1 928 081
Third party payments	10 536 456	
Unallocated Receipts	121 749	121 749
Payments received in advance	1 635 621	1 635 621
Joe Gqabi Economic Development Agency (SoC) Ltd	105 535	105 535
Local Municipalities	- 191 041	4 976 389
Elundini Local Municipality	-	456 572
Senqu Local Municipality	- 191 041	4 519 817
<b>Total Payables from Exchange Transactions</b>	<b>85 491 491</b>	<b>108 750 019</b>

Balance previously reported

Correction due to invoices received during 2017/2018 - Trade payables

Restatement of Monies paid over by the Agency set off against expenditure incurred

Restatement for retentions not previously recorded under payables

Restatement of trade payables due to the duplication of an order subsequently corrected

Restated balance

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary.

The carrying value of payables approximates its fair value.

Deposits amounting to R144 961 (2018 - R144 961) serve as security for Payables. The remainder of Payables are unsecured.

### 15 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	6 171 877	9 091 193
Less: Current Portion transferred to Current Liabilities	(2 625 487)	(1 584 875)
<b>Total - At amortised cost using the effective interest rate method</b>	<b>3 546 390</b>	<b>7 506 318</b>

Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East, water meters and sanitation infrastructure. A new finance lease was taken up with ABSA for twenty five (25) bakkies and three (3) TLB's in the water service department and the period is 3 years only.

Included in Non-current Investments as per note is an amount of R1 677 453 (2017 - R1 583 453) held as guarantee by the DBSA.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<u>The obligations under annuity loans are scheduled below:</u>		
<u>Amounts payable under annuity loans:</u>		
Payable within one year	2 260 214	2 218 809
Payable within two to five years	3 875 401	5 200 717
Payable after five years	484 425	1 453 275
	<hr/>	<hr/>
	6 620 040	8 872 801
Less: Future finance obligations	(1 532 167)	(2 204 492)
	<hr/>	<hr/>
Present value of annuity obligations	5 087 873	6 668 309
	<hr/>	<hr/>

### The obligations under finance leases are scheduled below:

Amounts payable under annuity loans:

Payable within one year	1 108 218	1 488 941
Payable within two to five years		1 108 218
Payable after five years		
	<hr/>	<hr/>
	1 108 218	2 597 159
Less: Future finance obligations	- 24 213	- 174 276
	<hr/>	<hr/>
Present value of annuity obligations	1 084 005	2 422 883
	<hr/>	<hr/>

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### GOVERNMENT GRANTS AND SUBSIDIES

<b>Unconditional Grants</b>	256 836 639	239 266 500
Equitable Share	256 544 279	239 160 000
LG Seta	292 360	106 500
<b>Conditional Grants</b>	274 311 843	297 977 058
EPWP Programme	2 224 002	2 227 000
Finance Management Grant (FMG)	1 319 918	1 249 958
Grant for Gariep	-	-
Heritage, Tourism & Economic Strategy	-	-
Heritage Management Plan (UCG)	-	-
Industrial Development Corporation (IDC)	-	-
Invoice Based Finance	-	-
LED Capacity	-	-
Municipal Infrastructure Grant (MIG)	153 873 622	149 693 219
Municipal Systems Improvement Grant (MSIG)	-	-
Water Services Infrastructure Grant (WSIG)	60 997 414	63 613 576
Regional Bulk infrastructure Grant	-	6 000 000
Almagamation Grant (Cogta)	-	-
DEDEAT - JOGEDA Senqu plastic project	-	-
Provincial Treasury drought relief programme	30 411 762	48 724 944
Public Works - Special Programme	25 096 025	23 226 495
Rural Households Infrastructure Grant	-	-
Rural Roads Asset Management Grant	-	2 284 464
Department of Human Settlement	-	-
EC Cogta Amalgamation support grant	-	-
MIS Asset Management	389 100	957 400
	<hr/>	<hr/>
<b>Total Government Grants and Subsidies</b>	531 148 482	537 243 558
	<hr/>	<hr/>
Government Grants and Subsidies - Capital	237 960 918	132 635 748
Government Grants and Subsidies - Operating	293 187 564	404 607 810

The Municipality does not expect any significant changes to the level of grants.

Balance previously reported 30 June 2017

- Correction on under statement of operating conditions met on MIG expenditure

**Restated balance**

17,01 Equitable share

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
Opening balance	-	-
Grants received	255 674 000	232 532 000
Conditions met - Operating	(255 674 000)	(232 532 000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act No. 108 of 1996) to the Municipality by the National Treasury.

### 17,02 Finance Management Grant (FMG)

Opening balance	(82)	(123)
Grants received	1 320 000	1 250 000
Conditions met - Operating	(1 319 918)	(1 249 958)
Conditions met - Capital		
Monies returned to National Treasury		
Conditions still to be met	0	(82)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, No 56 of 2003 (MFMA). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

### 17,03 Regional Bulk Infrastructure Grant (RBIG)

Opening balance	-	621 105	2 608 690
Grants received		-	6 000 000
Conditions met - Operating		-	
Conditions met - Capital		-	6 000 000
Monies returned to National Treasury		-	3 229 794
Conditions still to be met	-	621 105	621 105

The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry out mandated functions effectively. National Treasury recovered R3 229 794 during 2017/2018 from an amount of only R2 608 690 that was unspent. R621 105 is due to the Municipality

### 17,04 Municipal Infrastructure Grant (MIG)

Opening balance	(2 504 826)	72
Grants received	153 554 000	159 725 000
Conditions met - Operating	(7 321 880)	(103 212 536)
Conditions met - Capital	(146 551 742)	(46 480 683)
Human settlement project now funded by MIG	-	(10 031 781)
Monies returned to National Treasury		(2 504 898)
Conditions still to be met	(2 824 448)	(2 504 826)

The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Municipality's programmes covers both Sanitation and Water projects.

### 17,05 Public Works - Special Programme

Opening balance	(9 026 426)	(5 088 757)
Grants received	31 411 863	19 288 826
Conditions met - Operating	(25 096 025)	(23 226 495)
Conditions met - Capital		
Grant expenditure to be recovered	(2 710 589)	(9 026 426)



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
This grant is used for the maintenance of gravel roads in the Gariep and Maletswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.		

### 17,06 Water Services Operating Subsidy

Opening balance	558	558
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Monies returned to National Treasury	-	-
Conditions still to be met	558	558

This grant is used for the refurbishment of water infrastructure.

### 17,07 Department of Human Settlement

Opening balance	(0)	(10 031 781)
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Human settlement project now funded by MIG	-	10 031 781
Conditions still to be met/(Grant expenditure to be recovered)	(0)	(0)

This grant is used to facilitate the planning, acceleration and implementation of various projects that will insure water supply to communities identified as not receiving a basic water supply service.

### 17,08 Water Services Infrastructure grant

Opening balance	886 725	302
Grants received	66 673 000	64 500 000
Conditions met - Operating	-	(32 183 456)
Conditions met - Capital	(60 997 414)	(31 430 121)
Conditions still to be met	6 562 311	886 725

This grant is used to provide specific capital funding for the water service infrastructure. This grant replace the previous know Water Services Operating grant and Municipal Water infrastructure grant.

### 17,09 PT Drought programme

Opening balance	1 221 001	(4 887 126)
Grants received	28 583 000	54 833 072
Conditions met - Operating	-	-
Conditions met - Capital	(30 411 762)	(48 724 944)
Foreign Exchange Gains		
Grant expenditure to be recovered	(607 761)	1 221 001

This grant is used to provide for the upgrade of critical Water and Sanitation infrastructure.

### 17,10 Other Grants

Opening balance	(5 575 364)	163 189
Grants received	4 439 000	4 730 715
Conditions met - Operating	(681 460)	(3 348 364)
Conditions met - Capital	-	(2 227 000)
Grant expenditure to be recovered	(1 817 824)	(5 575 364)

Other Grants consist of the following and is utilised as follows:

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<u>EPWP Programme</u>		
Incentive grant for creating jobs, whereby unemployed persons get employed on projects to create employment.		
<u>Rural Roads Asset Management Grant (Public Transport)</u>		
This grant is to determine the extent of the municipal road network, the condition and maintenance requirements.		
<u>LG Seta</u>		
This grant is used to assist with the training needs of the Municipality.		
<b>Total Grants</b>		
Opening balance	11 618 922	17 234 976
Grants received	(541 654 863)	(542 859 613)
Conditions met - Operating	293 187 564	404 607 810
Conditions met - Capital	237 960 918	132 635 748
Paid back to Treasury/Provided for as impairment		
Grant expenditure to be recovered	<u>1 112 541</u>	<u>11 618 922</u>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>Disclosed as follows as per note 6</b>		
Unspent Conditional Government Grants and Receipts	7 760 118	2 776 738
Unpaid Conditional Government Grants and Receipts	8 872 659	14 395 662
<b>18 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Cash contributions received	645 000	-
	<b>645 000</b>	<b>-</b>
<b>19 ACTUARIAL (GAINS)/LOSS</b>		
Post Retirement Medical Obligations - Refer to note 11,1	-	(7 336 930)
Ex Gratia Gratuities - Refer to note 11,2	-	(63 758)
Long Service Awards - Refer to note 11,3	-	(102 923)
<b>Total Actuarial (Gains)/Losses</b>	<b>-</b>	<b>(7 503 611)</b>
Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.		
<b>20 REVERSAL OF IMPAIRMENTS</b>		
Investment in Municipal Entity - note 12	-	-
<b>Total Reversal of Impairments</b>	<b>-</b>	<b>-</b>
<b>21 SERVICE CHARGES</b>		
Water	136 161 630	67 978 514
Sewerage and Sanitation Charges	49 280 017	31 592 954
	185 441 647	99 571 468
Less: Rebates (including free basic services for indigents)	(36 644 496)	(22 433 818)
<b>Total Service Charges</b>	<b>148 797 151</b>	<b>77 137 650</b>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>22 GOVERNMENT SERVICES</b>		
Working for Water	-	-
Working for Wetlands	-	5 053 194
<b>Total Government Services</b>	<b>-</b>	<b>5 053 194</b>
The tender from Department of Environmental affairs was awarded during the year, however signing of the agreement was only finalises during June 2019 and therefore no expenditure was incurred for the year, nor any revenue generated from the agreement.		
<b>23 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Call Investment Deposits	2 947 317	3 691 484
Primary Bank Account	308 044	929 361
<b>Total Interest Earned - External Investments</b>	<b>3 255 361</b>	<b>4 620 844</b>
<b>24 INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Water Debtors	22 454 618	15 727 853
Sewerage Debtors	9 109 692	6 396 547
<b>Total Interest Earned - Outstanding Debtors</b>	<b>31 564 310</b>	<b>22 124 400</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>25</b>	<b>OTHER INCOME</b>		
	Sundry Income	122 704	948 857
	Administration fee	11 851	395 304
	Rental of Facilities and Equipment	-	9 252
	Insurance claims	167 685	360 608
	Ticket sales	315 493	
	<b>Total Other Income</b>	<b>617 733</b>	<b>1 714 020</b>
<b>26</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Bonuses	10 697 276	10 625 420
	Contribution to current employee benefits - Staff Leave - Note 12	2 138 627	3 804 280
	Contribution to non-current employee benefits - Long Service Awards - Note 12	-	2 048 224
	Contribution to non-current employee benefits - Post Retirement Medical - Note 12	-	2 507 439
	Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 12	-	33 885
	Contributions for UIF, Pensions and Medical Aids	31 011 915	29 109 270
	Salaries and Wages	138 697 714	128 723 044
	Housing Benefits and Allowances	1 912 763	1 310 253
	Overtime Payments	20 652 196	13 041 442
	Performance Bonuses	3 260 529	5 057 942
	Travel, Motor Car, Telephone, Subsistence and Other Allowances	9 103 520	13 872 287
	<b>Total Employee Related Costs</b>	<b>217 474 540</b>	<b>210 133 486</b>

### REMUNERATION OF MANAGEMENT PERSONNEL

The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5-year fixed contract. They have all signed a performance agreement in terms of section 51(1)(b) of the Municipal Systems Act, No 32 of 2000

Municipal Manager - Z A Williams

Salary and other allowances	1 460 813	1 604 728
Travel Allowance	372 866	64 200
Telephone allowance	35 400	34 200
Contributions to UIF, Medical and Pension Funds	220 984	241 089
<b>Total</b>	<b>2 090 063</b>	<b>1 944 217</b>
Acting allowance	30 000	30 000
Performance Bonuses 15-16	-	322 757
Performance Bonuses 16-17	342 123	-

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
Director Technical Services - R J Fortuin		
Salary and other allowances	1 313 878	1 326 234
Travel Allowance	360 000	233 480
Telephone allowance	21 600	20 400
Contributions to UIF, Medical and Pension Funds	85 480	85 366
Total	<u>1 780 958</u>	<u>1 665 480</u>
Performance Bonuses 15-16	-	274 344
Performance Bonuses 16-17	290 804	-
Director Corporate Services - H Z Jantjie		
Salary and other allowances	1 357 570	1 262 083
Travel Allowance	84 000	84 000
Telephone allowance	21 600	20 400
Contributions to UIF, Medical and Pension Funds	304 606	298 998
Total	<u>1 767 776</u>	<u>1 665 480</u>
Performance Bonuses 15-16	-	274 344
Performance Bonuses 16-17	229 582	-
An Acting Chief Financial Officer has been appointed effective 15 April 2015 until the position will be filled.		
Acting Director Financial Services - S du Toit - Effective 15 April 2015		
Salary and other allowances	1 450 077	1 308 614
Travel Allowance	-	40 000
Telephone allowance	21 600	20 400
Contributions to UIF, Medical and Pension Funds	47 736	43 982
Total	<u>1 519 412</u>	<u>1 412 996</u>
Acting allowance	-	142 223
Performance Bonuses 15-16	-	233 795
Performance Bonuses 16-17	195 650	-
Director Community Services - F J Sephton		
Salary and other allowances	1 602 220	1 487 197
Travel Allowance	156 000	156 000
Telephone allowance	21 600	20 400
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Total	<u>1 781 710</u>	<u>1 665 480</u>
Performance Bonuses 15-16	-	274 244
Performance Bonuses 16-17	290 804	-
Chief Operations Officer - N Mshumi		
Salary and other allowances	1 144 639	1 084 433
Travel Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	269 519	243 863
Total	<u>1 474 158</u>	<u>1 388 296</u>
Acting Allowance	7 355	-
Performance Bonuses 15-16	-	233 495
Performance Bonuses 16-17	195 398	-
Manager Water Service provision Manager - D Lusawana		
Salary and other allowances	1 013 482	946 994
Contributions to UIF, Medical and Pension Funds	235 578	220 909
Total	<u>1 249 060</u>	<u>1 167 903</u>
Performance Bonuses 15-16	-	193 344
Performance Bonuses 16-17	163 325	-

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
ISD Director - NP Nonjola		
Salary and other allowances	1 269 390	-
Travel Allowance	204 000	-
Telephone allowance	36 000	-
Contributions to UIF, Medical and Pension Funds	1 890	-
<b>Total</b>	<b>1 511 280</b>	<b>-</b>
Acting Allowance	105 713	
Performance Bonuses 16-17	59 070	-

### 27 REMUNERATION OF COUNCILLORS

Councillors' allowances	5 225 689	5 164 846
Councillors' Pension and Medical Aid Contributions	754 033	788 486
<b>Total Remuneration of Councillors</b>	<b>5 979 722</b>	<b>5 953 332</b>

#### *In-kind Benefits*

The Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and the Speaker may utilise official Council transportation when engaged in official duties.

2019	Remuneration	Contributions	Total
Members of the Mayoral Committee	3 734 268	657 749	4 392 017
ZI Dumzela - Executive Mayor	747 268	156 603	903 871
TZ Notyke - Speaker	644 591	87 384	731 975
EM Lakabane - Portfolio Head: Financial Services	559 937	129 066	689 003
D Mvumvu - Portfolio Head: Community Services	612 136	76 867	689 003
S Mei - Portfolio Head: Technical Services	590 873	98 289	689 162
L Tokwe - Portfolio Head: Corporate Services	579 464	109 540	689 003
Proportional elected Councillors	1 399 477	96 284	1 495 762
NU Hokwana	484 875	61 717	546 592
N Ngendane	281 823	34 567	316 390
AM van Zyl	316 390	-	316 390
M Yiliwe	316 390	-	316 390
Representative Councillors	91 943	-	91 943
<b>Total Councillors Remuneration</b>	<b>5 225 689</b>	<b>754 033</b>	<b>5 979 722</b>

2018	Remuneration	Contributions	Total
Members of the Mayoral Committee	3 587 598	666 052	4 253 651
ZI Dumzela - Executive Mayor	715 524	161 929	877 453
TZ Notyke - Speaker	621 690	89 110	710 800
EM Lakabane - Portfolio Head: Financial Services	537 626	128 082	665 709
D Mvumvu - Portfolio Head: Community Services	588 355	78 853	667 209
S Mei - Portfolio Head: Technical Services	567 476	99 143	666 619
L Tokwe - Portfolio Head: Corporate Services	556 926	108 934	665 861
Proportional elected Councillors	1 492 188	121 553	1 613 741
NU Hokwana	583 366	80 557	663 923
N Ngendane	271 816	35 199	307 016
AM van Zyl	316 956	2 729	319 685
M Yiliwe	320 050	3 068	323 117
Representative Councillors	85 059	881	85 940
<b>Total Councillors Remuneration</b>	<b>5 164 846</b>	<b>788 486</b>	<b>5 953 332</b>

### 28 DEBT IMPAIRMENT

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
Contributions to provision - note 4	80 106 927	36 200 765
Less: Portion relating to VAT - note 5	(8 382 749)	(3 209 757)
<b>Total Debt Impairment</b>	<b>71 724 178</b>	<b>32 991 009</b>
<b>29 IMPAIRMENTS</b>		
Investment in Municipality Entity - note 10	-	-
Property Plant and Equipment - note 7	-	-
Investment Property - note 8	-	-
Intangible assets - note 9	-	-
<b>Total Impairments</b>	<b>-</b>	<b>-</b>
<b>30 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment - Note 7	-	48 664 887
Investment Property - Note 8	-	45 496
Intangible Assets - Note 9	-	448 201
<b>Total Depreciation and Amortisation</b>	<b>-</b>	<b>49 158 583</b>
<b>31 REPAIRS AND MAINTENANCE</b>		
Repairs and Maintenance is removed as a line item from the Statement of Financial Performance with the implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:		
<b>GRAP 17 require disclosure of repairs and maintenance per asset class:</b>		
Infrastructure	5 134 710	4 308 986
Land and Buildings	1 142 331	553 946
Other Assets	7 642 364	2 112 651
<b>Total Repairs and Maintenance</b>	<b>13 919 406</b>	<b>6 975 583</b>
It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes as well as Employee related cost due to the fact that bulk of the repairs and maintenance are done internally		
<b>32 FINANCE CHARGES</b>		
Long-term Liabilities	822 329	834 519
Finance leases	-	276 839
Non-current Employee Benefits	-	4 532 357
Other	1 666	1 972
<b>Total Finance Charges</b>	<b>823 995</b>	<b>5 645 688</b>
<b>33 CONTRACTED SERVICES</b>		
Sanitation Services	7 877 684	14 872 932
Other Contractors	7 877 684	14 872 932
Water Services	747 000	-
Other Contractors	747 000	-
<b>Total Contracted Services</b>	<b>8 624 684</b>	<b>14 872 932</b>

The other contractors relate to Honey Sucking that has been done by outside contractors throughout the district for the year under review.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>34</b>	<b>BULK PURCHASES</b>		
	Water	5 999 292	4 458 788
	<b>Total Bulk Purchases</b>	<b>5 999 292</b>	<b>4 458 788</b>
<b>35</b>	<b>GRANTS AND SUBSIDIES PAID</b>		
	Pauper burials	-	-
	Joe Gqabi Economic Development Agency (SoC) Ltd	10 574 521	8 495 130
	<b>Total Grants and Subsidies Paid</b>	<b>10 574 521</b>	<b>8 495 130</b>
<p>The Economic Entity has been in the process of taking over water service provision from local municipalities. The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.</p>			
<b>36</b>	<b>OPERATING GRANT EXPENDITURE</b>		
	Management Services	-	839 825
	Financial Services	742 911	1 904 450
	Corporate Services	-	102 202
	Technical Services	62 940 700	118 417 333
	Community Services	-	3 686 453
	<b>Total Operating Grant Expenditure</b>	<b>63 683 611</b>	<b>124 950 262</b>
<b>37</b>	<b>EMERGENCY DROUGHT RELIEF</b>		
	Water carting	-	1 054 614
	<b>Total Operating Grant Expenditure</b>	<b>-</b>	<b>1 054 614</b>
<b>38</b>	<b>GENERAL EXPENSES</b>		
	Advertising Fees	799 388	742 275
	Audit Fees	3 449 633	5 342 136
	Bank Charges	397 006	378 101
	Chemicals	7 510 756	6 915 006
	Consulting Fees	14 954 903	14 703 292
	Cultivating and Capacitation	-	-
	Entertainment	79 999	76 189
	Fire Extinguishers	-	-
	Fuel and oil	9 801 750	9 001 667
	Insurance	4 273 944	4 070 422
	IT Cost	977 329	930 790
	Legal Fees	1 741 767	1 658 826
	Marketing	430 108	409 627
	Material and protective clothing	455 631	433 935
	Membership Fees	1 958 020	2 046 096
	Occupational Health	640 912	610 392
	Other	2 501 775	2 379 988
	Postage	15 539	14 799
	Printing and Stationary	2 634 820	2 509 353
	Rentals	1 812 865	1 497 966
	Revitalising Urban	339 347	323 187
	Security	5 120 647	3 953 837
	Services	1 998	1 903
	Shared Fire Services	2 848 023	998 741
	Special Programmes	4 122 681	3 926 363
	SPLUMA	32 393	30 850
	Telephone	3 121 376	2 687 025
	Tourism	27 645	26 329
	Training	842 609	802 485
	Travel and Subsistence	24 856 521	17 213 382
	Vehicle Rental	2 387 412	1 833 511
	Water and Electricity	12 541 587	11 944 369



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
Water Testing & Quality Monitoring	1 577 331	1 502 220
<b>Total General Expenses</b>	<b>112 255 715</b>	<b>98 965 059</b>

The take over of water services from Gariep Local Municipality and Amatola Water Board resulted in changes in expenditure patterns to the prior year. The average increase in General expenditure is only 4% for the year. There has been a shift of spending between types of expenditure and not necessarily a material increase overall.

### 39 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Carrying value of Property, Plant and Equipment disposed or written off		1 907 832
Value recovered from insurance	-	(465 548)
<b>Total Loss on Disposal of Property, Plant and Equipment</b>	<b>-</b>	<b>1 442 285</b>

The loss on disposal of assets to the amount of Rxxx (R1 442 285- 2018) relates to assets that were written off.

### 40 CORRECTION OF ERROR IN TERMS OF GRAP 3

	2018 R
<b>40,01 NET SURPLUS/(DEFICIT) FOR THE YEAR 2017</b>	

### 41 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS

Net Surplus/(Deficit) for the year	205 070 617	90 229 743
Adjusted for:		
Non-Cash Expenditure and Revenue	71 724 178	80 620 622
Actuarial Gains	-	(7 503 611)
Gain on disposal of PPE		
Debt impairment	71 724 178	32 991 009
Deprecation and amortisation	-	49 158 583
Impairments		
Actuarial losses		
Finance charges	-	4 532 357
Fair Value Adjustments		
Loss on disposal of PPE	-	1 442 285
Contributions - Provisions and Employee Benefits	16 096 433	28 609 547
Post Retirement Medical Benefits	-	6 595 233
Long Service Awards	-	2 465 916
Ex-Gratia	-	60 756
Performance bonuses	3 260 529	5 057 942
Bonuses	10 697 276	10 625 420
Staff leave	2 138 627	3 804 280
Compensation for injury on duty		
Other Provisions	-	-
Expenditure - Provision and Employee Benefits	(16 029 230)	(15 530 189)
Post Retirement Medical Benefits	-	(1 091 280)
Long Service Awards	-	(391 964)
Ex-Gratia	-	(37 996)
Performance bonuses	(2 449 948)	(2 614 849)
Bonuses	(11 199 765)	(9 925 832)
Staff leave	(2 379 517)	(1 468 268)
Compensation for injury on duty		
Other Provisions		
Other adjustments	-	7 987 605

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
Bad debts Written off	-	7 987 605
Compensation for injury on duty (penalty)		
Operating surplus before changes in working capital	276 861 998	191 917 328
Movement in working capital	(122 452 179)	(47 098 532)
Receivables from exchange transactions	(133 174 167)	(82 372 416)
Inventory	463 154	259 371
Payables from exchange transactions	(23 258 528)	5 304 905
Unspent Conditional Government Grants	4 983 380	(2 151 690)
Unpaid Conditional government grants	5 523 003	7 767 888
Taxes	23 010 979	24 093 410
Cash Flow from Operating Activities	154 409 819	144 818 796

### 41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 3	4 845 072	12 654 580
Less:		
Unspent Committed Conditional Grants - note 7	-	2 776 738
<b>Net cash resources available for internal distribution</b>	<b>4 845 072</b>	<b>9 877 842</b>

### 42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2024.

### 43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

#### Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	164 753	164 753
Unauthorised expenditure current year - operating		
Unauthorised expenditure current year - capital		
Authorised by Council		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	164 753	164 753

The municipality did not incur any unauthorised expenditure for the 2017/2018 and 2016/2017 financial periods

### 44 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year		
Written off by Council		
Transfer to receivables for recovery		
Fruitless and wasteful expenditure awaiting write-off approval	-	-

Incident	Disciplinary steps
Interest paid to Telkom	None - The invoice was paid within 30 days of receipt of the invoice

### 45 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
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# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
Irregular expenditure - current and prior (identified in current year)	63 219 408	63 219 408
Written off by Council awaiting condonation	-	-
Irregular expenditure	<u>63 219 407,82</u>	<u>63 219 407,82</u>

A contract was entered into between JGDM and Mvula Trust utilising the Municipal SCM Regulation 32(1) which states that a SCM policy may allow the accounting officer to procure goods or services for the municipality under a contract secured by another organ of the state, for managing the implementation of Rural Water and Sanitation Programme as an implementing agent. This was following a process allowed in terms of section 110 of the MFMA. In March 2011 JGDM participated in a Regulation 32 contract after establishing the below:

- A contract was secured by the Eastern Cape Department of Human Settlements by means of a competitive bidding process applicable to the Eastern Cape Department of Human Settlements (organ of state) with Mvula Trust.
- In line with sub-regulation (1)(a) and (1)(b) the municipality had confirmed there was no reason to believe that such contract was not validly procured by the Eastern Cape Department of Human Settlements.
- There were demonstrable benefits for the municipality to do so; and
- The Eastern Cape Department of Human Settlements, JGDM and Mvula Trust had consented to such procurement in writing.

In application of Regulation 32, the municipality had a proper demand management plan in place that was based on the service delivery and budget implementation plan. As an implementing agent, Mvula Trust procured goods and services through the use of competitive bidding processes to secure contractors and service providers.

The contract between Eastern Cape Department of Human Settlements and Mvula trust expired in September 2013. The contract of JGDM expired in

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

2019  
R

2018  
R

June 2016. It was further extended in line with section 116 of the MFMA and this was reviewed during the 2016/17 audit by the AG and determined as compliant.

Throughout the period from 2011 to date the deliverables and expenditure have been audited and value for money was assessed and no findings contrary to good governance were identified. The accounting officer has also accordingly determined that no official is responsible from whom the amount should be recovered.

### 46 MATERIAL LOSSES

#### Water distribution losses

Kilo litres raw	14 435 490	14 435 490
Kilo litres treated	10 873 738	10 873 738
Kilo litres sold	(8 054 361)	(8 054 361)
Kilo litres lost during cleaning	3 561 752	3 561 752
Kilo litres lost from treated	2 819 377	2 819 377
Kilo litres lost from raw	6 381 129	6 381 129
Percentage water lost during cleaning	24,7%	24,7%
Percentage lost from treated vs billed	25,93%	25,93%
Percentage water lost since abstraction	44,20%	44,20%
Average cost per kilolitre in Rands	7,19	7,19
Loss in Rand value (Raw)	45 880 318	45 880 318
Loss in Rand value (Treated)	20 271 321	20 271 321

The improvement in water losses is due to major refurbishments and repairs to aging infrastructure as well as ongoing water restrictions to reduce demand so as to manage drought risks. This has been coupled with improved awareness around water conservation and demand management and also improvements in metering.

### 47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 47,01 SALGA Contributions - [MFMA 125 (1)(b)]

Opening balance		
Council subscriptions	1 958 020	2 023 260
Amount paid - current year	(1 958 020)	(2 023 260)
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	-	-

The prior year figure was updated with an amount of R208 731 due to additional subscription fees billed by SALGA

#### 47,02 Audit fees - [MFMA 125 (1)(b)]

Opening balance	160 257	20 846
Current year audit fee	3 449 633	5 118 632
Amount paid	(3 449 633)	(4 958 376)
Amount paid - previous year	(160 257)	(20 846)
<b>Balance unpaid (included in payables)</b>	-	160 257

#### 47,03 VAT - [MFMA 125 (1)(b)]

Opening balance	9 042 025	32 686 430
Amounts received - current year	(47 342 238)	(57 588 828)
Amounts claimed - current year	42 956 436	33 495 418
<b>Balance receivable/(payable)</b>	4 656 223	8 593 020

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. Input VAT has also been claimed once payment has been made to a registered service provider. All VAT returns have been submitted by the due date throughout the year. The amount

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
receivable from SARS as at 30 June 2019 relates to the claims for January 2019 and the last 2 months of the financial year.		
<b>47,04 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	12 534 220	10 069 204
Current year payroll deductions and Council Contributions	37 326 744	31 683 039
Amount paid - current year	(34 331 100)	(29 218 023)
Amount paid - previous year	(12 534 220)	
<b>Balance receivable</b>	<b>2 995 644</b>	<b>12 534 220</b>
<b>47,05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	3 400 742	-
Current year payroll deductions and Council Contributions	42 727 112	39 846 396
Amount paid - current year	- 39 117 123	- 36 445 654
Amount paid - previous year	- 3 400 742	
<b>Balance unpaid (included in payables)</b>	<b>3 609 990</b>	<b>3 400 742</b>
<b>47,06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>		
There are no overdue councillor accounts.		
<b>48 Deviations - Supply Chain Management</b>		
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:		
- Emergencies	8 668 174	31 125 372
- Goods or services are produced or available from a single provider only	274 394	
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes eg. Strip and Quotes	19 039 597	15 590 792
	<b>27 982 165</b>	<b>46 716 163</b>
Deviations per department		
- Office of the Municipal Manager	1 641 431	1 301 705
- ISA	1 702 255	
- Financial Services	62 834	98 859
- Corporate Services	702 582	4 908 129
- Community Services	885 050	1 347 695
- Technical Services	22 984 012	27 436 710
- Expenditure incurred on behalf of JoGEDA	-	11 623 065
	<b>27 978 165</b>	<b>46 716 163</b>
<b>49 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:		
- Infrastructure	139 807 753	110 900 915
<b>Total</b>	<b>139 807 753</b>	<b>110 900 915</b>
This expenditure will be financed from:		
Capital Replacement Reserve	-	-
Government Grants	139 807 753	110 900 915
Own Resources	-	-
<b>Total</b>	<b>139 807 753</b>	<b>110 900 915</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

2019	2018
R	R

50

### FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

#### (a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

#### (b) Price risk

The Municipality is not exposed to price risk.

#### (c) Interest Rate Risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, non-current investments and loan payables.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for cash and cash equivalents and non-current investments as the interest rate on loan payables are fixed.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follow:

0,5% (2017 - 0.5%) Increase in interest rates  
0,5% (2017 - 0.5%) Decrease in interest rates

The potential impact on the fair value of loans payable due to changes in interest rates is insignificant as the carrying value represents the fair value based on the underlying assets.

#### (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No receivables are pledged as security for financial liabilities.

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

**2019**  
**R**

**2018**  
**R**

The bank utilised by the Municipality for current and non-current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.

Financial assets exposed to credit risk at year end are as follows:

Receivables from Exchange Transactions	243 787 470	154 075 734
Cash and Cash Equivalents	4 845 072	12 654 580
Non-current Investments	3 665 509	3 571 508
Unpaid Conditional Grants and Subsidies	8 872 659	14 395 662
	261 170 710	184 697 484

### (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Economic Entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>Long Term liabilities</b>	3 546 390	7 506 318
Capital repayments	6 171 877	9 091 193
Interest	(2 625 487)	(1 584 875)
Payables from exchange transactions	85 491 491	108 750 019
Unspent Conditional Government Grants and Receipts	7 760 118	2 776 738
	96 797 999	119 033 075

### FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

#### Financial Assets

##### Financial instruments at amortised cost

Non-Current Investments	3 665 509	3 571 508
- Fixed Deposits (Zero coupon)	1 771 453	1 677 453
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Receivables from Exchange Transactions	243 787 470	154 075 734
Cash and Cash Equivalents	4 845 072	12 654 580
Unpaid Conditional Government Grants and Receipts	8 872 659	14 395 662
<b>Total carrying amount of financial assets</b>	261 170 710	184 697 484

#### Financial Liability

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>Financial instruments at amortised cost</b>		
Long-term Liabilities	3 546 390	7 506 318
Trade and Other Payables	85 491 491	108 750 019
Current Portion of Long-term Liabilities	2 625 487	1 584 875
Unspent Conditional Government Grants and Receipts	7 760 118	2 776 738
<b>Total carrying amount of financial liabilities</b>	<b>99 423 487</b>	<b>120 617 950</b>

### 51 EVENTS AFTER THE REPORTING DATE

None

### 52 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations during the year. Refer to 18 for Public contributions and donations received during the year

### 53 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

### 54 CONTINGENCIES

Council has the following contingent liabilities at the end of the financial year 2018/2019:

#### Outstanding litigation claims

The Municipality is contesting a claim from a Service provider of a Municipal Service provider. A claim has been received for materials delivered on a project. The municipality signed a cession agreement with the service provider appointed to pay their service provider on their behalf, however the claim was never submitted that work has been done. The order on which the cession was signed was fully paid to the JGDM appointed Service provider because the session was signed subsequent to payment already made. Claim amount is R490 000 and the likelihood is deemed medium for the municipality losing the case.

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsay and his spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim and the matter has been set down for trial on the 11 October 2016 and then was removed from the roll on basis of they wanted to file their expert witness evidence. Trial run was from 05/02/2019 - 19/02/2019 and the Municipality is awaiting judgement. Likelihood for the Municipality of losing this case is deemed low.

The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 551 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 128 802. The Municipality is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.

A summons and a notice of intention has been filled against the municipality. This matter relates to an employee of the municipality had an accident and a house of a resident was damaged in the process. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. This matter is awaiting a court date. The claim amounts to R272 550

There was an accident which occurred between a vehicle of Senqu Municipality and a truck driven by an employee of the Municipality. The insurance is claiming for damages from the municipality and the municipality is contesting the claim. The case is Pending, JGDM filed a notice of exception. The claim amount R754 703. Likelihood of the municipality to lose this case is medium to low.

A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
likelihood of the case being lost by the Municipality as being medium. No court date has been set as on the reporting date. The claim amounts to R800 000		

There is an eviction claim for a property the municipality believes to belong to the municipality. The likelihood is considered to be low that the municipality will lose this case. The case is currently pending to proceed to litigation.

There is a claim from Telkom for infrastructure damages to the value of R110 000. Legal proceedings have not commenced as at year end. The likelihood of the municipality losing is considered to be medium to low

There is another claim from a service provider for services rendered that are contested by the municipality. The matter was withdrawn but is still pending. The likelihood of the municipality losing is low.

A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. Case is pending a resolution between the Service provider and their third party for the case to proceed. The claim value is R376 000

Jozana community development trust has lodged a claim against the Minister of Rural land and reform to allow the development of the eco-tourism project at the Jozana Dam and the municipality is cited only as a District Municipality since the claimant believes the dam falls under this Municipality. It is however a DWS owned dam. The case is pending as the matter has not yet proceeded to litigation. Likelihood of the municipality losing is considered low.

### Council has the following contingent assets at the end of the financial year 2018/2019:

The municipality identified possible fraud which is currently under investigation by the SAPS and the outcome is unsure at this stage. The matter has been referred to the Municipal attorneys to claim from the medical aid scheme in question. No court date has been set on the reporting date. The municipality is awaiting the investigation report to proceed with litigation.

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### RELATED PARTIES

No business transactions took place between the Municipality and management personnel and their close family members (including close members of family members) during the year under review with the exception of Ekhipine Community Radio station to the value of R46 358. Thabo Motloi and Cllr Phuza are non-executive directors.

#### Related Party Loans

Since 1 July 2004 loans to Councillors and Senior Management Employees are not permitted.

#### Compensation of management personnel

The compensation of management personnel is set out in note 26 and 27 to the financial statements.

#### Investment in Municipal Entity

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 10 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA.

The Municipality paid a grant to JoGEDA as disclosed in note 35.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 7 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2019

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation						Carrying Value	
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets/Operations	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment	Disposals		Closing Balance
	R	R		R	R	R	R		R		R		R
Land and Buildings	17 787 494	-	-	-	-	17 787 494	6 528 191	-	-	-	-	6 528 191	11 259 303
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	-	15 744 494	6 528 191	-	-	-	-	6 528 191	9 216 303
Infrastructure	2 050 634 743	129 114 264	-	-	-	2 179 749 007	396 718 623	-	-	-	-	396 718 623	1 783 030 384
Sewerage network	351 687 230	-	-	-	-	351 687 230	92 509 097	-	-	-	-	92 509 097	259 178 133
Water network	1 225 777 735	-	-	-	-	1 225 777 735	304 209 526	-	-	-	-	304 209 526	921 568 209
Work in Progress	473 169 778	129 114 264	-	-	-	602 284 042	-	-	-	-	-	-	602 284 042
Other Assets	41 261 995	1 011 956	-	-	-	42 273 951	25 374 248	-	-	-	-	25 374 248	16 899 703
Office Equipment	2 656 350	-	-	-	-	2 656 350	1 863 543	-	-	-	-	1 863 543	792 808
Furniture & Fittings	3 825 005	-	-	-	-	3 825 005	2 792 180	-	-	-	-	2 792 180	1 032 826
Motor Vehicles	14 362 676	-	-	-	-	14 362 676	8 397 814	-	-	-	-	8 397 814	5 964 862
Fire Engines	8 924 094	-	-	-	-	8 924 094	7 528 926	-	-	-	-	7 528 926	1 395 168
Computer Equipment	4 115 338	699 500	-	-	-	4 814 838	1 467 798	-	-	-	-	1 467 798	3 347 040
Special Vehicles	4 101 916	-	-	-	-	4 101 916	1 578 929	-	-	-	-	1 578 929	2 522 987
Tools and Equipment	3 276 616	312 456	-	-	-	3 589 072	1 745 058	-	-	-	-	1 745 058	1 844 013
	2 109 684 233	130 126 220	-	-	-	2 239 810 453	428 621 062	-	-	-	-	428 621 062	1 811 189 390

30 JUNE 2018

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets/Operations	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	17 787 494	-	-	-	-	17 787 494	5 940 439	-	587 753	-	-	6 528 191	11 259 303
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	-	15 744 494	5 940 439	-	587 753	-	-	6 528 191	9 216 303
Infrastructure	1 929 921 444	123 300 985	-	(2 587 687)	-	2 050 634 743	352 600 994	-	45 817 261	-	(1 699 632)	396 718 623	1 653 916 120
Sewerage network	332 347 379	-	-	(87 284)	19 427 135	351 687 230	82 347 547	-	10 251 632	-	(90 082)	92 509 097	259 178 133
Water network	1 169 485 250	-	-	(2 500 402)	58 792 887	1 225 777 735	270 253 447	-	35 565 629	-	(1 609 550)	304 209 526	921 568 209
Work in Progress	428 088 815	123 300 985	-	-	(78 220 022)	473 169 778	-	-	-	-	-	-	473 169 778
Other Assets	42 819 429	1 790 333	-	(3 347 766)	-	41 261 995	25 442 363	-	2 259 873	-	(2 327 988)	25 374 248	15 887 747
Office Equipment	2 337 765	325 719	-	(7 134)	-	2 656 350	1 772 313	-	97 462	-	(6 232)	1 863 543	792 808
Furniture & Fittings	3 590 055	235 470	-	(519)	-	3 825 005	2 694 508	-	98 183	-	(511)	2 792 180	1 032 826
Motor Vehicles	17 467 552	-	-	(3 104 876)	-	14 362 676	9 778 975	-	737 194	-	(2 118 354)	8 397 814	5 964 862
Fire Engines	8 924 094	-	-	-	-	8 924 094	6 860 566	-	668 360	-	-	7 528 926	1 395 168
Computer Equipment	3 051 471	1 171 335	-	(107 468)	-	4 115 338	1 352 284	-	203 533	-	(88 020)	1 467 798	2 647 540
Special Vehicles	4 229 685	-	-	(127 769)	-	4 101 916	1 374 624	-	319 176	-	(114 872)	1 578 929	2 522 987
Tools and Equipment	3 218 806	57 810	-	-	-	3 276 616	1 609 093	-	135 966	-	-	1 745 058	1 531 557
	1 990 528 367	125 091 318	-	(5 935 453)	-	2 109 684 233	383 983 796	-	48 664 887	-	(4 027 620)	428 621 062	1 681 063 170

30 JUNE 2017

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation						Carrying Value	
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets/Operations	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment	Disposals		Closing Balance
	R	R		R	R	R	R		R		R		R
Land and Buildings	17 682 048	105 446	-		-	17 787 494	5 357 959	-	582 480		-	5 940 439	11 847 055
Land	2 043 000	-	-	-	-	2 043 000	-	-	-		-	-	2 043 000
Buildings	15 639 048	105 446	-	-	-	15 744 494	5 357 959	-	582 480		-	5 940 439	9 804 055
Infrastructure	1 723 910 248	229 363 313	-	(880 418)	(22 471 700)	1 929 921 444	309 881 030	-	43 294 672		(574 708)	352 600 994	1 577 320 450
Sewerage network	322 217 928				10 129 451	332 347 379	72 140 385	-	10 207 162		-	82 347 547	249 999 832
Water network	1 108 141 897			(880 418)	62 223 770	1 169 485 250	237 740 645	-	33 087 510		(574 708)	270 253 447	899 231 803
Work in Progress	293 550 423	229 363 313			(94 824 921)	428 088 815	-	-	-		-	-	428 088 815
Other Assets	42 233 922	1 388 223	-	(802 716)	-	42 819 429	22 164 309	-	3 810 781	-	(532 727)	25 442 363	17 377 066
Office Equipment	2 299 784	48 450		(10 468)		2 337 765	1 650 206	-	131 384		(9 277)	1 772 313	565 453
Furniture & Fittings	3 696 344	7 281		(113 570)		3 590 055	2 667 963	-	133 950		(107 405)	2 694 508	895 547
Motor Vehicles	16 580 300	922 252		(35 000)		17 467 552	7 540 922	-	2 269 416		(31 363)	9 778 975	7 688 577
Fire Engines	8 924 094					8 924 094	6 192 206	-	668 360		-	6 860 566	2 063 528
Computer Equipment	2 912 507	271 843		(132 878)		3 051 471	1 248 557	-	141 330		(37 603)	1 352 284	1 699 187
Special Vehicles	4 740 485			(510 800)		4 229 685	1 386 323	-	335 379		(347 078)	1 374 624	2 855 061
Tools and Equipment	3 080 408	138 397				3 218 806	1 478 131	-	130 962		-	1 609 093	1 609 713
	1 783 826 219	230 856 982	-	(1 683 134)	(22 471 700)	1 990 528 367	337 403 297	-	47 687 933	-	(1 107 435)	383 983 796	1 606 544 571

Balance previously reported 30 June 2017 (After correction done for prior periods)	1 671 125 190
Correction due to operational cost identified during the unbundling process, incurred during the 2016/2017 financial year	(22 471 700)
Overstatement of other assets due to incorrect order being capitalised	(131 097)
Understatement of other assets due to incorrect classification as operating expenditure	182 118
Overstatement of other assets due to operating expenditure being capitalised	(11 469)
Understatement of other assets due to non recognition of asset replaced by the insurance	48 968
Reversal of depreciation for the period 2016/2017 due to the correction of useful lives on both water and sanitation	123 020
Recognition of Retention monies for value created not previously recorded	3 414 048
<b>Restated balance</b>	<b>1 652 279 079</b>

There are no assets fully depreciated which is still in use or any assets held for disposal or any temporary idle assets as on date of financial position. There has been an impairment identified for Property, Plant and Equipment to the value of R290 493. No Property, Plant and Equipment are pledged as security for liabilities.

There has been no change in the method of depreciation and it is consent with the prior year.

Refer to note 31 for the disclosure of repairs and maintenance per asset class as required by GRAP 17

The following work in progress balances are included in PPE. No depreciation charge is recognised against these amounts:

	2018	2017
	R	R
Infrastructure - Water	92 849 471	367 354 773
Infrastructure Sanitation	379 389 718	104 828 733
Infrastructure - Other	-	23 445 336
Infrastructure - MIG planning studies	930 587	930 587
<b>Total Work in Progress (WIP)</b>	<b>473 169 776</b>	<b>496 559 430</b>

There are 27 assets included in the Infrastructure fixed asset register with a Zero carrying value. The initial capital cost of these assets were cumulatively below R300 000

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019**

		2019 R	2018 R
<b>11</b>	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Medical Obligations - refer to note 11,1	27 880 277	27 880 277
	Ex Gratia Gratuities - refer to note 11,2	122 678	122 678
	Long Service Awards - refer to note 11,3	6 273 325	6 273 325
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>34 276 280</b>	<b>34 276 280</b>
	<b><u>Post Retirement Medical Obligations</u></b>		
	Balance 1 July	29 401 000	31 233 978
	Contribution for the year	-	6 595 233
	Expenditure for the year	-	(1 091 280)
	Actuarial (Gain)	-	(7 336 930)
	<b>Total post retirement medical obligation 30 June</b>	<b>29 401 000</b>	<b>29 401 000</b>
	<b><u>Less:</u></b> Transfer of current portion to Current Employee Benefits - note 12	<b>(1 520 723)</b>	<b>(1 520 723)</b>
	<b>Balance 30 June</b>	<b>27 880 277</b>	<b>27 880 277</b>
	<b><u>Ex Gratia Gratuities</u></b>		
	Balance 1 July	334 654	375 652
	Contribution for the year	-	60 756
	Expenditure for the year	-	(37 996)
	Actuarial Gain	-	(63 758)
	<b>Total ex gratia provision 30 June</b>	<b>334 654</b>	<b>334 654</b>
	<b><u>Less:</u></b> Transfer of current portion to Current Employee Benefits - note 12	<b>(211 976)</b>	<b>(211 976)</b>
	<b>Balance 30 June</b>	<b>122 678</b>	<b>122 678</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**Lona Service Awards**

	2019 R	2018 R
Balance 1 July	7 481 008	5 509 979
Contribution for the year	-	2 465 916
Expenditure for the year	-	(391 964)
Actuarial (Gain)/Loss	-	(102 923)
<b>Total long service 30 June</b>	<b>7 481 008</b>	<b>7 481 008</b>

**Less:**            Transfer of current portion to Current Employee Benefits - note 12

(1 207 683)            (1 207 683)

**Balance 30 June**

**6 273 325            6 273 325**

**TOTAL EMPLOYEE BENEFITS**

Balance 1 July	37 216 662	37 119 609
Contribution for the year	-	9 121 905
Expenditure for the year	-	(1 521 241)
Actuarial (Gain)	-	(7 503 611)
<b>Total employee benefits 30 June</b>	<b>37 216 662</b>	<b>37 216 662</b>

**Less:**            Transfer of current portion to Current Employee Benefits - note 12

(2 940 382)            (2 940 382)

**Balance 30 June**

**34 276 280            34 276 280**

**11,1 Post Retirement Medical Obligations**

The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members  
Continuation members (e.g. Retirees, widows, orphans)

2019 Employees	2018 Employees
156	156
37	37
<b>193</b>	<b>193</b>

**Total Members**

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
LA Health  
Hosmed  
SAMWU Medical Aid

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

Key actuarial assumptions used:	%	%
<b>i) Rate of interest</b>		
Discount rate	9,58	9,58
Health Care Cost Inflation Rate	7,37	7,37
Net Effective Discount Rate	2,06	2,06
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".		
<b>ii) Mortality rates</b>		
The PA 90 ultimate table, rated down by 1 year of age.		
<b>iii) Normal retirement age</b>		
The normal retirement age for employees of the Municipality is:		
Male : 63 years		
Female: 58 years		

	In-Service Members R	Continuation Members R	Present value of fund obligations R
<b>The liability in respect of past service recognised in the Statement of Financial Position is as follows:</b>			
30 June 2018	18 506 000	10 895 000	29 401 000
30 June 2017	19 375 151	10 463 000	29 838 151
30 June 2016	21 320 577	10 845 443	32 166 020
30 June 2015	19 080 662	9 631 382	28 712 044
30 June 2014	16 280 000	9 762 591	26 042 591
30 June 2013	13 959 000	9 893 475	23 852 475
30 June 2012	7 546 000	10 067 224	17 613 224

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
<b>Experience adjustments were calculated as follows:</b>		
30 June 2018	(3 420 000)	-
30 June 2017	(1 544 000)	-
30 June 2016	293 000	-
30 June 2015	(875 000)	-
30 June 2014	2 068 000	-
30 June 2013	5 866 000	-
30 June 2012	815 000	-

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2019 R	2018 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	29 401 000	31 233 978
Total contributions	-	5 503 953
Current service cost	-	2 507 439
Interest Cost	-	4 087 794
Benefits Paid	-	(1 091 280)
Actuarial (Gain)/Loss	-	(7 336 930)
Present value of fund obligation at the end of the year	29 401 000	29 401 000
<u>Less:</u> Transfer of current portion to Current Employee Benefits - note 4	(1 520 723)	(1 520 723)
<b>Balance 30 June</b>	<b>27 880 277</b>	<b>27 880 277</b>

**Sensitivity Analysis on the Current-service and Interest Costs:**

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		2 507 400	4 087 800	6 595 200	
Health care inflation	+1%	3 129 700	4 790 400	7 920 100	20%
Health care inflation	-1%	2 027 200	3 522 600	5 549 800	-16%
Discount rate	+1%	2 056 200	3 897 200	5 953 400	-10%
Discount rate	-1%	3 096 500	4 294 900	7 391 400	12%
Post-retirement mortality	-1 year	2 587 600	4 240 800	6 828 400	4%
Average retirement age	-1 year	2 580 300	4 366 100	6 946 400	5%

%                      %

**11,2 Ex Gratia Gratuities**

The Ex Gratia Gratuities plans are defined benefit plans. As at year end 101 employees (2017 - 104) were eligible for Ex Gratia Gratuities.

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	9,45	9,45
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

	Present value of fund obligations
30 June 2018	334 655
30 June 2017	375 653
30 June 2016	416 515
30 June 2015	389 945
30 June 2014	438 929
30 June 2013	458 511
30 June 2012	524 447

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2018	(63 908)	
30 June 2017	9 436	
30 June 2016	69 127	-
30 June 2015	112 184	-
30 June 2014	(7 526)	-
30 June 2013	76 238	-
30 June 2012	91 931	-

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	334 654	375 652
Total contributions	-	22 760
Current and past service cost	-	33 885
Interest Cost	-	26 871
Benefits Paid	-	(37 996)
Actuarial (Gain)/Loss	-	(63 758)
Present value of fund obligation at the end of the year	334 654	334 654
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(211 976)	(211 976)
Present value of fund obligation at the end of the year	<b>122 678</b>	<b>122 678</b>

The liability is unfunded.

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**Sensitivity Analysis on the Current-service and Interest Costs:**

<b>Assumption</b>	<b>Change</b>	<b>Current Service Cost (R)</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>	<b>% Change</b>
Central Assumptions		33 885	26 871	60 756	
Discount Rate	+1%	32 939	28 927	61 866	2%
Discount Rate	-1%	34 948	24 716	59 664	-2%
Average retirement age	-1 year	46 761	26 291	73 052	20%

**11,3 Long Service Awards**

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 512 employees (2017 - 537), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	8,35	8,35
General Salary Inflation (long-term)	6,00	6,00
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,22	2,22

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

**Present value of  
fund obligations  
R**

**The liability in respect of past service recognised in the Statement of Financial Position is as follows:**

30 June 2018	7 481 008
30 June 2017	5 509 980
30 June 2016	4 715 680
30 June 2015	4 830 341
30 June 2014	4 391 167
30 June 2013	3 865 395
30 June 2012	2 735 251

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
<b>Experience adjustments were calculated as follows:</b>		
30 June 2018	373 555	
30 June 2017	160 071	
30 June 2016	(740 579)	
30 June 2015	577 526	-
30 June 2014	54 616	-
30 June 2013	762 433	-
30 June 2012	325 639	-

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	7 481 008	5 509 979
Total contributions	-	2 073 952
Current service cost (And past)	-	2 048 224
Interest Cost	-	417 692
Benefits Paid	-	(391 964)
Actuarial Loss/(Gain)	-	(102 923)
Present value of fund obligation at the end of the year	7 481 008	7 481 008
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 207 683)	(1 207 683)
<b>Balance 30 June</b>	<b>6 273 325</b>	<b>6 273 325</b>

The liability is unfunded.

**Sensitivity Analysis on the Current-service and Interest Costs:**

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		839 100	417 700	1 256 800	
General salary inflation	+1%	888 000	438 300	1 326 300	6%
General salary inflation	-1%	794 300	398 600	1 192 900	-5%
Discount rate	+1%	799 100	445 900	1 245 000	-1%
Discount rate	-1%	883 500	386 300	1 269 800	1%
Average retirement age	-2 years	796 000	392 000	1 188 000	-5%
Average retirement age	+2 years	890 500	448 100	1 338 600	7%
Withdrawal Rate	-50%	1 073 300	496 000	1 569 300	25%

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 11,4 Retirement Funds

The Cape Retirement Fund is a multi-employer plan. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, a multi-employer plan is defined as defined benefit plans. GRAP 25 also states that when insufficient information is available to use defined benefit accounting for a multi-employer plan, a Municipality will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Fund's assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claimed that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Retirement Fund is defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

#### CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund was in a sound financial position with a funding level of 100.2% (30 June 2012 - 99.9%).

Contributions paid recognised in the Statement of Financial Performance

10 803 116	10 803 116
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#### DEFINED CONTRIBUTION FUNDS

Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund, SAMWU National Provident Fund and SALA Pension fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Government Employees Pension Fund	639 659	639 659
Municipal Councillors Pension Fund	440 712	440 712
IMATU Retirement Fund	1 935 323	1 935 323
SAMWU National Provident Fund	2 716 957	2 716 957
SALA Pension Fund	1 489 983	1 489 983
	<b>7 222 634</b>	<b>7 222 634</b>